



# OUTSOURCING POLICY

Date of last review: 12.02.2024

## **OUTSOURCING POLICY**

### **1. INTRODUCTION:**

This policy shall be termed as the Outsourcing Policy for **Gilada Finance and Investments Limited** (GFIL) (hereinafter referred to as “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.

Company intend to outsource some of its financial activities and towards this a comprehensive outsourcing policy, has been approved by its Board of Directors.

### **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. 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, 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 & support;
- ✓ Application development, maintenance and testing;
- ✓ Storage, movement and archiving of records;
- ✓ Use of Courier Services, Travel Agents;
- ✓ As on date to maintain which activities are outsourced;
- ✓ Housekeeping and Maintenance Services;
- ✓ Legal Services



The above list is indicative and not exhaustive. The Company may outsource any activities other than those mentioned above which are permissible to be outsourced as per the RBI Guidelines.

#### **4. ACTIVITIES THAT SHALL NOT BE OUTSOURCED:**

As per RBI directions, the Company should not outsource its core management functions or activities including Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for sanction for loans, Internal Audit. Further, Internal Audit function itself is a management process, the Internal Auditors can be on contract. However, the Company outsource this function within the group subject to compliance with instructions as provided in point 9 i.e. Outsourcing within a group.

#### **5. MATERIAL OUTSOURCING:**

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

- a. The level of importance and significance of the risk to the Company, of the activity being outsourced.
- b. The potential impact of the outsourcing on the Company, on various parameters such as, earnings, solvency, liquidity, funding capital and risk profile.
- c. 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.
- d. The cost of the outsourcing as a proportion of total operating costs of the Company.
- e. The aggregate exposure to that particular Service Provider, in case where the Company outsources various functions to the same Service Provider.
- f. The significance of activities outsourced in context of customer service and protection.

#### **6. RISKS ARISING OUT OF OUTSOURCING:**

Outsourcing of financial services exposes the Company to number of risks which need to be evaluated and effectively managed and mitigated. The key risk that may arise due to outsourcing are:

- a. **Strategic Risk** - The Service Provider may conduct business on its behalf, which is inconsistent with the overall strategic goals of the Company.

- b. **Reputation Risk** - Poor service from the Service Provider and its customer interaction may not be consistent with the overall standards expected by the Company.
- c. **Compliance Risk** - Privacy, consumer and prudential laws may not be adequately complied with by the Service Provider.
- d. **Operation Risk** - Arising due to technology failure, fraud, error, inadequate financial capacity of Service Provider to fulfil obligations and/or 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** - This could arise from over-reliance on one firm, the loss of relevant skills in the Company itself preventing it from bringing the activity back in-house and contracts entered into wherein speedy exits would be prohibitively expensive.
- g. **Counter party Risk** - Due to inappropriate underwriting or credit assessments.
- h. **Country Risk** - Due to political, social or legal climate creating added risk.
- i. **Contractual Risk** - arising from whether or not the Company has the ability to enforce the contract.
- j. **Concentration and Systemic Risk** - Due to lack of control of individual Company over a Service Provider, more so when overall financing industry has considerable exposure to one Service Provider.

#### **7. SELECTION OF SERVICE PROVIDER:**

- a. The outsourcing of any activity by the Company shall not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. The Company would 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.
- b. In considering or renewing an outsourcing arrangement, appropriate care, skill and diligence shall be performed to assess the capability of the Service Provider to comply with obligations in the outsourcing agreement.
- c. Also, all relevant laws, regulations, guidelines and conditions of approval, licensing or registration shall also be considered while outsourcing of any

- activities. Past experience and competence to implement and support the proposed activity over the contracted period;
- d. Service Provider's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
  - e. Compatibility of the practices and systems of the Service Provider with the Company's requirements and objectives;
  - f. Market feedback of the prospective Service Provider's business reputation and track record of their services rendered in the past;
  - g. Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and ensuring due diligence by Service Provider to its employees.
  - h. 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

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

### **8.1. 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 and safety and soundness; and
- e. Deciding on business activities of a material nature to be outsourced and approving of such arrangements.

### **8.2 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 in 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 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. OUTSOURCING AGREEMENTS:**

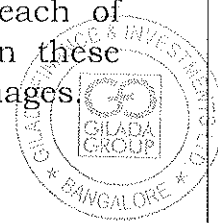
- a. All outsourcing arrangements shall be executed only by way of a clearly defined and legally binding written agreement with each of the Service Provider and vetted by the Company's Legal counsel on their legal effect and enforceability;
- b. The agreement shall be sufficiently flexible to allow the Company to retain an appropriate level of control over the outsourcing and 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. Due care shall be taken to ensure that the Outsourcing Agreement:
  - i. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
  - ii. to ensure that it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
  - iii. provides for mutual rights, obligations and responsibilities of the Company and the Service Provider including indemnity by the parties;
  - iv. provides for the liability of the Service Provider to the Company for unsatisfactory performance/other breach of the contract;
  - v. provides for the continuous monitoring and assessment by the Company of the Service Provider so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable 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;
  - vi. includes, where necessary, conditions of sub-contracting by the Service Provider, i.e. 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
  - vii. has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
  - viii. specifies the responsibilities of the Service Provider with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
  - ix. provides for preservation of the documents and data by Service Provider as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services;
  - x. Provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;



- xi. provides for a termination clause and minimum period to execute a termination provision, if deemed necessary, termination rights, transfer of information and exit strategies;
- xii. Addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when Company outsources its activities to foreign Service Provider. For example, the agreement shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction; 1) neither prevents nor impedes the Company from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- xiii. Provides for the Company and /or the regulator or the persons authorized by it to have the ability to inspect, right to conduct audit through internal or external auditors, obtain copies of any audit or review reports, access all books, records and information relevant to the outsourced activity with the Service Provider.
- xiv. Provides for the RBI or officials authorised by it to access the Company's documents, record of transactions, and other necessary information given to, stored or processed by the Service Provider within a reasonable time and also right to conduct inspection on Service Provider and its books and account.

#### **10. CLIENT CONFIDENTIALITY & SECURITY:**

- a. The Company is expected to take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.
- b. The Company shall prevail upon the Service Provider to ensure that the employees of the Service Provider have limited access to the data handled and only on a "need to know" basis and the Service Provider shall have adequate checks and balances to ensure the same.
- 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 the confidentiality of the information. In instances, where service provider acts as an outsourcing agent for multiple NBFCs, care shall be taken to build strong safeguards so that there is no comingling of information / documents, records and assets.
- d. In cases where the Service Provider is providing similar services to multiple entities, the Company shall ensure that adequate care is taken by the Service Provider to build safeguards for data security and confidentiality.
- e. 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.
- f. 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.



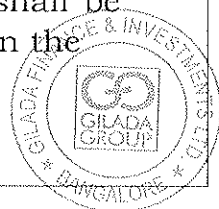


**11. BUSINESS CONTINUITY AND MANAGEMENT OF DISASTER RECOVERY PLAN:**

- a. Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.
- b. The concerned Senior Management shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the Service Provider level. Notably, it shall consider contingency plans at the Service Provider level; co-ordination of contingency plans at both levels and in the event of non-performance by the Service Provider.
- c. 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 Company and its services to the customers.
- d. 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 in-house in an emergency and the costs, time and resources that would be involved.
- e. 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.

**12. MONITORING AND CONTROL OF OUTSOURCED ACTIVITIES:**

- a. The Company shall have in place a management structure to monitor and control its outsourcing activities.
- b. 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.
- c. The 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.
- d. 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.

- e. A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the Audit Committee of the Board.

### **13. MAINTENANCE OF RECORDS:**

- a. The records relating to all material activities outsourced shall be preserved centrally so that the same is readily accessible for review by the Board of the Company and / or its senior management, as and when needed. The records shall be updated promptly and half yearly reviews shall be placed before the Board or Risk Management Committee.
- b. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the Company.

### **14. REDRESSAL OF GRIEVANCES RELATED TO OUTSOURCED SERVICES:**

The Company has appointed Mrs. Pallavi Gilada, Chief Financial Officer of the Company's Grievance Redressal Officer. The designated officer shall ensure that genuine grievances of the Customers are forwarded to concerned department and redressed promptly without any delay. Generally, time limit of 30 days shall be given to the customers for resolving 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.

### **15. REPORTING REQUIREMENTS:**

The Company shall 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:**

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



