

Policy on Outsourcing
Indel Money Limited (IML)

1.Introduction

Outsourcing is often defined as the delegation of non-core operations or jobs from internal production within a business to an external entity that specializes in that operation or job.

Outsourcing is a business decision that is often made to lower costs or focus on competencies. Thus, Outsourcing involves transferring a significant amount of management control and decision-making to the third parties and so requires a robust policy mechanism to manage the activities so outsourced functions or jobs.

Besides, the regulatory bodies like RBI, SEBI, etc., have laid down stringent guidelines to ensure that the attendant risks are addressed and managed by the Organizations that choose to outsource their activities.

Accordingly, this Policy is being drafted in line with the relevant terms and conditions as specified by RBI through its various guidelines and circulars and with reference to their circular No: RBI/2017-18/87 dated 09.11.2017 & RBI/2023-24/102 dated 10.04.2023, which broadly defines the principles and guidelines to be followed by NBFCs in their respective Outsourcing Activities.

2.Objectives

The objectives of this policy are-

- i. To ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourced activities; and
- ii. To ensure that outsourcing arrangements do not diminish the ability of Indel Money Limited (hereinafter referred to as IML) to fulfil its obligations to customers and RBI nor impede effective supervision by RBI.
- iii. To ensure that IML at all times is in compliance with extant guidelines of the regulatory bodies on outsourcing.

3. Scope of the Policy

This policy aims to lay down comprehensive guidelines for all outsourcing activities in the IML including:

- i. The criteria for selection of outsourcing activities as well as service providers including the justification for Outsourcing of an activity or a function or a job.
- ii. Procedures for outsourcing activities including the assessment of risks and materiality of the management.
- iii. The processes to Identify, manage and mitigate key outsourcing risks through a Risk Management Programme.
- iv. Systems to monitor and review the operations of outsourcing activities.
- v. The processes to Identify “Material outsourcing arrangements” and manage them diligently as prescribed by regulatory guidelines.
- vi. NOTE: This policy is NOT intended to cover issues and activities not related to financial services, such as usage of courier, catering of staff, housekeeping and security of the premises, movement and archiving of records, etc, which are outside the preview of the policy document. Such exclusions are also defined in vide para 4 of this Policy. However, the Outsourcing Committee’s Responsibilities (See Para 6.2 below) will apply to all outsourcing arrangements of IML.

4. Activities which Cannot be Outsourced

The following activities CANNOT be outsourced: -

4.1 Core management functions including

- a. Internal Audit,
- b. Strategic and Compliance functions and
- c. decision-making functions such as determining compliance with KYC norms
- d. according sanction for loans (including retail loans) and
- e. management of investment portfolio.

Exceptions to Exclusions:

- While internal audit function itself is a management process, the internal auditors can be employed on contractual basis.

Financial services should not be outsourced to a service provider owned or controlled by any director of the IML or their relatives, if it is not a group company of IML. These terms have the same meaning as assigned under Companies Act/Rules and the Secretarial

Dept./Company Secretary should be consulted when in doubt.

5.Criteria for adoption for compliance with regulatory requirement

- a. Outsourcing: For the purpose of this policy, outsourcing means the use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) by IML to perform activities on a continuing basis that would normally be undertaken by the IML itself, now or in the future. 'Continuing basis' includes agreements for a limited period.
- b. Third Party: Third party also referred to as service provider in this policy refers to the entity located in India or elsewhere (Subject to Clause VII of Annexure-1) that is undertaking the outsourced activity, which may also include a group company of IML.
- c. Risk Management Programme would mean the risk management programme to address the outsourced activities and the relationship with the third party, as laid down by this policy and approved by the Board. (Programme outlay is appended as Annexure1)
 - a. Outsourcing Committee: This is a Management Level Committee and should comprise of the Heads of Departments .

The CEO will be the Chair of the committee

The Quorum will be a minimum of 3 members

Material Outsourcing :

For the purpose of this policy, material outsourcing arrangements are those which if disrupted, have the potential to significantly impact the business operations, reputation ,profitability or customer service

The Outsourcing Committee's duties and responsibilities are elaborated in para 6.2 of this policy.

Materiality of outsourcing would be based upon and be assessed for:

- a. The level of importance to IML of the activity being outsourced as well as the significance of the risk posed by the same;
- b. The potential impact of the outsourcing on IML on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
- c. The likely impact on IML 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 IML;
- e. The aggregate exposure to that particular service provider, in cases where IML outsources various functions to the same service provider; and
- f. The significance of activities outsourced in context of customer service and protection.

6. Responsibility

6.1 Responsibility of the Board

The Board of IML shall have responsibility for oversight of the outsourcing policy and related activities undertaken under the policy. The same may be delegated to the Outsourcing Committee, who shall furnish periodic reports to the Board on its functioning, including the decisions that have been taken by it from time to time.

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.

6.2. Responsibilities of the Outsourcing Committee

The Outsourcing Committee shall have the overall responsibility to oversee and implement the policy as follows:

- i. Ensuring the implementation of the Board's decisions on this policy;
- ii. Developing, implementing and periodically reviewing outsourcing policy and related procedures to ensure that it conforms to the scope and complexity of the outsourcing activities
- iii. Reviewing the Outsourcing Proposals and independently evaluating the risks of all existing and prospective outsourcing, based on the board approved policy and recording the assessment thereof
- iv. Ensuring that contingency plans, are in place and tested as dictated by the policy vis-à-vis the outsourced activities
- v. Ensuring that there is independent review and audit for adherence with set policies;
- vi. Informing the Board on the risks and provide periodical reports connected with the outsourcing activities in a timely manner
- vii. Report on all "Material" contracts for any period, to the Board and directors, at their immediate next meeting in an approved manner
- viii. The Responsibility of the Outsourcing Committee shall be for all Outsourcing activities of

IML (both IT and Non-IT)

7. Procedures

7.1 Screening and approval of outsourcing proposals by the Outsourcing Committee

- a) The concerned department desirous of outsourcing an activity (covered by this Policy), shall prepare an appropriate note on the same, describing in detail the activity, risks involved, the reason and necessity for outsourcing and all other relevant factors leading to the proposed outsourcing, and submit the same to the outsourcing committee for decision.
- b) The Committee shall deliberate on the same in a meeting and recommend for approval or reject the proposals and the reasons for the said decision taken.
- c) The Outsourcing Committee's recommendations for Approvals will be submitted to the CEO, for his final approval, along with the Minutes of Meeting of the committee.

7.2 Selection of the third-party service provider

- a) The selection of the service provider shall be carried out by the Department that is proposing the Outsourcing Arrangement.
- b) The Selection of the Third-Party Service Provider should always be based on the principles of fair play – and opportunity provided to as many vendors as possible (and are eligible/qualified to provide such services) through an appropriate RFI/RFP/RFQ process as may be suitable at the material time and depending on the technical focus of the proposed arrangement.
- c) Once the concerned department has completed the Vendor Assessments and submitted their recommendations to the Outsourcing Committee, the Committee shall then - keeping the best interests of IML in mind and after recording its satisfaction that the third party has the ability and capacity to undertake the provision of the service effectively – finalize the Vendor.
- d) The due diligence shall be carried out in accordance with the terms as laid out in the Risk Management Programme (Annexure 1)

7.3 The Outsourcing Agreement

- a) The whole gamut of the outsourcing arrangements shall be secured by legally binding written contracts which shall cover all material aspects pertaining to the same, including but not limited to - the rights & liabilities of the parties, responsibilities, termination procedures,

contingency plans, confidentiality, risk control and audit.

- b) All Outsourcing Arrangements are to be bound by the Legal Agreement as found in Annexure 4 here. However, where the vendor is seeking to bring in their own contract format, the same can be ONLY subject to the condition that such format[s] is/are vetted by the Legal team and he/she specifically confirms that such adoption of vendor-formats would not impair the rights and dues of IML, in writing. Without this confirmation, no other format would be acceptable to us.
- c) Where specific sections/sentences/words of our format are also sought to be amended / changed, etc., the same principle would apply and all such changes would have to be specifically approved, in writing, by Legal.
- d) Agreements with vendors shall be subject to the jurisdiction of courts in India. Any deviation can only be approved by CEO.
- e) On approval of the contracts by the Senior Management / Board, Department Heads / Business Heads in the grade of Asst General Manager and above are authorized to sign all contracts and agreements.

7.4 Outsourcing arrangement with Related Parties

The outsourcing practices to be adopted by IML while outsourcing to a related party would be identical to those applicable to unrelated party. The following "Arm's length" principle should be complied with

- a) The capability of the related party to undertake the activity will be independently checked.
- b) No pricing advantages will be provided to the related party.
- c) The Related party shall be treated as any other outsourcing arrangement with same terms and conditions.
- d) All other terms as detailed in the contract is standard across all such agreements entered between other outsourcing arrangements and has no special preference either adverse or in favour has been agreed.
- e) The appointment shall be approved by the Boards of IML as well as the Related Party

7.5 The Obligatory Clauses of the Agreement

The obligatory clauses of our Legal Agreement are as follows:

- a) Clear Definitions of What activities are going to be outsourced, including appropriate service and performance levels
- b) Mutual rights, obligations and responsibilities of the parties, including indemnity by them
- c) Liability of the third party to IML for unsatisfactory performance/other breach of the contract
- d) The services of the third party being continuously assessed and monitored with IML retaining overall control and having a right to intervene with appropriate measures to meet legal and regulatory obligations
- e) IMLs Customer Grievance Redressal Policy/Customer service Policy shall be applicable in full to all grievances arising out of any deficiency in the service provided by the outsourcing service provider.
- f) Prior approvals/consent by IML and other conditions of sub-contracting by the third-party, with IML maintaining a similar control over the risks with the subcontracting party as in the original direct outsourcing
- g) Confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and after the expiry of the contract; and the service providers' liability in case of breach of security and leakage of confidential customer-related information.
- h) The responsibilities of the third party with respect to the
 - a. IT security and contingency plans,
 - b. insurance cover,
 - c. business continuity and disaster recovery plans,
 - d. force majeure clause, etc.
- i) Preservation of the documents and data by third party and the ability to access all books, records and information relevant to the outsourced activity available with the service provider
- j) Mechanisms to resolve disputes arising from implementation of the outsourcing contract
- k) Termination of the contract, minimum periods to execute a termination provision if deemed necessary, termination rights, transfer of information and exit strategies.
- l) Ensuring that the contract neither prevents nor impedes IML from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and provides for IML and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party;
- m) IML with the right to conduct audits in connection with the services provided, 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.
- n) Preservation of documents required by law and rights of IML to take suitable steps to ensure that its interest is protected even after termination of arrangement.
- o) All regulatory bodies (like RBI, SEBI, NHB, etc) with the right to conduct audits, either by

themselves or through suitably authorized nominees /agents, in connection with services provided, without any disruption, at any time during the currency of the contractual agreements.

8.Reporting to FIU and other regulators

- i. IML shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.
- ii. IML shall immediately notify RBI in the event of any breach of security and leakage of confidential customer related information

9. Regulatory Supervision

Outsourcing arrangements shall not impair the ability of RBI or other Regulators to exercise its regulatory responsibilities such as supervision/inspection/audit of IML. Suitable clauses will be incorporated in all legal documents to ensure and enable the audit of the service provider by the regulatory Authorities or their Nominees.

10. Rights of the customer

Outsourcing arrangements shall not affect the rights of a customer against IML, including the ability of the former to obtain redress as applicable under relevant laws. In cases where customers are required to deal with the service providers in the process of dealing with IML, it should be ensured that a clause is incorporated in all related product literature/brochures, etc., stating that they may use the services of agents in sales /marketing, etc. of the products. The role of agents maybe indicated in broad terms.

The customers shall be specifically informed about the company which is actually offering the product/service, wherever there are multiple group entities involved or any cross selling observed.

11. Grievance Redressal Mechanism

IML to have a robust grievance redress mechanism, which in no way shall be compromised on account of outsourcing.

IML's Customer Grievance Redressal Policy/Customer service Policy shall be applicable in fully to all grievances arising out of any deficiency in the service provided by the outsourcing

service provider.

IML will always be compliant with the regulatory guidelines RBI/DoR/2023-24/106
DoR.FIN.REC.No.45/03.10.119/2023-24

12. Information Security

The management approved 'Vendor Information Security Requirements' shall be applicable to all outsourcing activities

13. Dissemination of terms and guidelines of the Outsourcing Policy

Post approval by the Board, the Policy shall be made available to all departments and all shall abide by the same in their respective outsourcing activities.

14. Review of Policy

The Outsourcing Committee shall review the Policy annually to ensure that the Policy remains current and relevant.

Any change to the Policy shall be presented to the Board/Board authorized Committee, for review, consideration and approval.

This policy will be owned by the Head -Operation who will be responsible for the maintenance of this policy.

15. Outsourcing arrangement prevailing in IML

None of the activities of the IML qualify under outsourcing arrangement.

Annexure-1 : Risk Management Programme.

A risk management programme is conceived herewith, stipulating the performance of a risk assessment, service provider appraisal, evaluation of contingency plans, estimates regarding the preservation of confidentiality and such other items that may be relevant to scope and materiality of the outsourced activity. It shall be the responsibility of the Outsourcing Committee to implement this programme with respect to each activity outsourced and submit periodic reports to the Board which will include among other things, the details of the activities outsourced, performance evaluation reports, major failures and changing risk scenarios.

A) The Key Risks from Outsourcing activities

IML shall evaluate and guard against the following risks at a minimum, while evaluating an outsourcing proposal:

- i. Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of IML.
- ii. Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of IML.
- iii. Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.
- iv. Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.
- v. Legal Risk – Where the IML 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.
- vi. Exit Strategy Risk – Where IML is over-reliant on one firm, the loss of relevant skills in IML itself prevents it from bringing the activity back in-house and where IML has entered into contracts that make speedy exits prohibitively expensive.
- vii. Counter party Risk – Where there is inappropriate underwriting or credit assessments.
- viii. Contractual Risk – Where IML may not have the ability to enforce the contract.
- ix. Concentration and Systemic Risk – Where the overall industry has considerable exposure to one service provider and hence IML may lack control over the service provider.
- x. Country Risk – Due to the political, social or legal climate creating added risk
- xi. Access Risk – Where IML may not have access to all books, records and information relevant to the outsourced activity available with the service provider

Each outsourced activity may bring within its wake any or all the above risks and such other

risks that are not identified by the policy. The management and mitigation of these risks is the responsibility of the Outsourcing Committee.

B) Risk Assessment

The following risk assessments will have to be performed –

- i. Outsourcing Risk Assessment (to be done by RMD) (Annexure-2)
- ii. Materiality Assessment (to be done by user dept) (Annexure - 3)
- iii. Vendor Risk Assessment (to be done by user dept) (Annexure - 4)

Such Risk Assessments should include -

- a) Third party's profile high level appraisal and fitment to this role.
- b) The fall out and consequences of a failure of a third party to adequately perform the activity outsourced on IML /its clients
- c) IML's ability to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
- d) Situations involving conflict of interest between IML and the third party and the measures put in place by IML to address such potential conflicts, etc.

After performing the risk assessments as above, if the Outsourcing Committee believes the risks can be appropriately managed, it shall record its observations as such, before proceeding with the selection process.

C) Evaluation of the capabilities of the service provider

For each new arrangement or renewal, the Outsourcing Committee shall exercise due care, skill, and diligence in the selection/continuance of the third party to ensure that the latter has the ability and capacity to undertake the provision of the service effectively. Wherever possible this shall be supplemented by independent reviews and market feedback.

All applicable laws, rules & regulations, conditions for approval, registration/licensing etc. shall be considered as a part of the due diligence process.

Due Diligence shall involve an evaluation & assessment of all available information about the service provider, including but not limited to –

- a) Experience and competence to implement and support the proposed activity over the contract period.
- b) Third party's resources and capabilities, including financial soundness, to perform the

outsourcing work within the timelines fixed and ability to service commitments even under adverse conditions.

- c) Compatibility of the practices and systems of the third party with the IML's requirements and objectives
- d) Market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- e) Level of concentration of the outsourced arrangements with a single third party;
- f) The environment of the foreign country where the third party is located.
- g) Business reputation and culture, compliance, complaints and outstanding or potential litigation.
- h) Security and internal control, audit coverage, reporting and monitoring environment, business continuity management.
- i) External factors like political, economic, social and legal environment of the jurisdiction in which the service provider operates and other events that may impact service performance.
- j) Ensuring due diligence by service provider of its employees.

- k) The service provider, if not a group company, shall not be owned or controlled by any director of IML or their relatives; these terms have the same meaning as assigned under Companies Act 2013

Due diligence should include periodic review of the capabilities of the service provider and should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness of the service provider

D) Establishment and maintenance of contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.

- a. Appropriate steps shall be taken to assess and address the potential consequence of business disruption or other problems at the third-party level and to ensure that the third party developed and established a robust framework for documenting, maintaining and testing business continuity and recovery procedures. Specific contingency plans shall be separately developed for each outsourcing arrangement and to consider co-ordination of contingency plans at both IML and the third party, in the event of non-performance by the third party.
- b. Periodical testing of the BCP and DR plan of the service provider should be ensured. The service provider may also be insisted upon to carry out combined testing and recovery exercises.
- c. To continue the business operations and services to the customers of IML, the risk of a premature/unforeseen termination of the outsourcing arrangement shall be addressed with proper anticipation and planning on alternative service provider options, resuming the

activity by itself, the time/resources/costs involved.

- d. IML shall ensure that service providers are able to isolate IML'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 NBFC, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

E) Confidentiality, Security & concentration of activities of multiple intermediaries with single service provider

- a. Appropriate steps shall be taken to protect IML's proprietary and confidential customer information and ensured that it is not misused or misappropriated.
- b. The third party shall be prevailed upon to ensure that the employees of the third party have limited access to the data handled and only on a "need to know" basis and the third party shall have adequate checks and balances to ensure the same.
- c. Where the third party is providing similar services to multiple entities it shall be ensured that strong safeguards are built so that there is no commingling of information/documents, records and assets
- d. IML 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.
- e. Wherever the activity relates to IT services, it shall be ensured that third party maintains appropriate IT security and robust disaster recovery capabilities.

F) Monitoring and Control of Outsourced Activities

- a. A record of all outsourcing activities should be centrally maintained and preserved for review by the Board. The records should be updated promptly and half yearly reviews should be placed before the Board, by the Compliance Department
- b. The adequacy of the risk management practices shall be subject to regular audits by either the internal auditors or external auditors of IML.
- c. The respective departments who have outsourced activities should review the check points of performance as per contract and report on the status of deviations. The Internal Audit Department of IML shall review Controls to ensure that the appropriate service levels are met. For this purpose, the Internal Audit department shall have the powers to undertake an assessment of the third party's capabilities, financial soundness, system compatibility, service levels etc. The control results shall be shared on a half-yearly basis to the Outsourcing Committee which shall apprise the Board of the same in its half yearly report to the Board.
- d. The Compliance Department of IML shall also periodically obtain confirmations from the other departments on status of Outsourced activities to ensure that no activity is outsourced

without it being reviewed by the Outsourcing Committee

- e. 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 web-site, and informing the customers so as to ensure that the customers do not continue to deal with the service provider
- f. IML shall ensure that reconciliation of transactions between the IML and the service provider (and/ or its sub-contractor), if any, 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.

G) Group Entity acting as Third Party

A group entity / associate of IML may act as the third party. However, controls shall be put in place to ensure that the transactions/dealings are at arm's length between IML and Group entity/associate in terms of infrastructure, manpower, decision-making, record keeping.

- a. 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
- b. Do not compromise the ability to identify and manage risk of IML on a standalone basis;
- c. The risk management practices adopted by IML while outsourcing to a Group entity/associate would be identical to those specified in this Risk Management Programme.

H) Direct Sales Agents (DSA)/ Direct Marketing Agents (DMA)/ Recovery Agents

- a. IML should ensure that proper training shall be given to DSA/ DMA/ Recovery Agents to handle their responsibilities, by the agencies engaged for such activities.
- b. IML shall put in place a board approved Code of conduct for DSA/ DMA/ Recovery Agents, and obtain their undertaking to abide by the code. In addition, Recovery Agents shall adhere to extant instructions on Fair Practices Code for IML as also their own code for collection of dues and repossession of security.

I) Sharing of Service with Other Group Entities

Where the proposal to engage the services of an Outsourced Service Provider for common purpose with other group entities, the same shall be done only where Board approved policies that define and demand creation of SLAs/arrangements, which among other covers

the demarcation of sharing resources etc, like as in sharing of premises, Legal and other Professional Services, hardware and software applications etc.

Annexure-2 : Checklist for Outsourcing Risk Assessment

Agency Name : XXX			
1	Scope of the outsourced activity		
2	Basis for arriving at the materiality		
3	Level of importance of the outsourcing activity		
4	Potential impact of the outsourcing		
5	Compliance to RBI circular on material outsourcing	i. Whether the outsourcing arrangement prohibited by the regulator:	
		ii. Does the contract affect any rights of the customer against IML:	
		iii. Whether IML or RBI can oversee the activities of the contractor:	
		iv. Whether adequate grievance redressal mechanism exists in IML	
		v. Whether the outsourcing is within the group / conglomerate:	
Risk Type & Description		Type of Risk (High/Medium/Low)	Rating (1 to 10)
	a. Strategic risks:		
	b. Reputation risk:		
	c. Operational risk:		
	d. Compliance risk:		

6	Evaluation of Risk	e. Legal risk:		
		f. Exit strategy risk:		
		g. Counter party risks:		
		h. Contractual risks:		
		i. Concentration and systemic risk:		
		Overall rating		
7	Outsourcing agreement	a. Whether contract has clearly defined the activities to be outsourced:		
		b. Whether IML will have access to the relevant information, books and records:		

		c. Whether the agreement containfor continuous clauses monitoring of the activity:		
		d. Whether there is termination clause in the agreement:		
		e. Whether the agreement containsfor controlling clauses customer data confidentiality:		
		f. Availability of contingency plans in case of disruption of activity:		
		g. Clauses for seeking prior approval of IML to engage subcontractors:		
		h. Rights of IML to conduct audit by its internal and external auditors:		
		i. Rights of RBI to conduct inspection and access to records of the contractor:		
		Whether the agreement contains clauseprohibiting the contractor to maintain confidentiality ofthe customer's information after termination of the contract:		
		Whether the contractor shall preserve documents as required by law and to protect IML 's interest even post termination of services:		
		8	Confidentiality and Security	
		a. The contractors were selected after conducting due diligence on their capabilities to perform the contract.		

9	Vendor Assessment of user department	Monitoring and review of the security practices and control processes of the vendor are being done on a regular basis.
		Any breach of security and leakage of confidential customer related information is reported to Compliance department for reporting to RBI.
		d. Regular audits by internal or external auditors are conducted.
		The agreement with the vendor is vetted by legal or in the draft approved by legal.
10	Audit	Internal Audit team to ensure that the activity is periodically audited. Reports on the contracts need to be placed to Outsourcing committee on a half yearly basis.

Risk	HIGH	MEDIUM	LOW
Rank	8-10	4-7	1-3

Annexure-3: Checklist for Materiality of Outsourcing Arrangement.

As per RBI Directions on Outsourcing Arrangements – Nov 2017, Details the Outsourcing Arrangement assessed for Materiality

1	Name of the Vendor	
2	Details of Service Provided	(For e.g.) Enterprise Shared Service Provider – the agency that will manage the entire back-office processing of the company’s activities
3	Materiality Factor	MATERIAL CONTRACT / NOT MATERIAL
4	Reasons Determining Materiality	See Checklist below

CHECKLIST FOR ASSESSMENT OF MATERIALITY OF ARRANGEMENT

S NO	CONDITIONS OF MATERIALITY as per RBI Directions/Code of conduct in Outsourcing of Financial Services by NBFC	DETAILS OF RESPONSE TO CONDITIONS OF MATERIALITY	MATERIAL / NOT MATERIAL
1	Levels of Importance to the Company of the Business Activity to be outsourced (H/M/L)		
2*	Potential Impact of the Outsourcing on the earnings, solvency, liquidity, funding capital and risk profile of the Company	Impact on Earnings: Solvency: Liquidity: Funding Capital: Risk Profile:	
3	Cost of Outsourcing as a proportion of total operating costs of the Company / Unit (for eg. If proposed cost is >3% of Operating costs)		
4	Nature and extent of data sharing involved, impact on data privacy and security		
5	Aggregate exposure to a particular service provider, in case where various functions are outsourced to the same service provider. (for eg. If the total payout to the service provider is >10% of total outsourcing cost)		
6.*	If the service provider unable to perform the service over a given period of time What is the expected impact on IML customers? What is the likelihood that it		

	would harm IML reputation? If yes, are we having an alternate service provider?		
7.	IML shall consider, while evaluating the capability of the service provider, issue relating to undue concentration of outsourcing arrangement with a single service provider.		
OVERALL ASSESSMENT OF MATERIALITY OF ARRANGEMENT			

*(If 2&6 are material then overall =MATERIAL)

Assessment Done by:	Verified By
Name:	Name:
Designation:	Designation:
Signature:	Signature:
Date:	Date:

Annexure-4: Vendor Risk Assessment

1	Name of the Vendor	
2	Details of Service Provided	
3	Reasons for Selection	See Checklist below

SN	Parameters	Yes/No	Score (Y=1, N=0)	Weight	Wt. Score
1	SELECTION OF SERVICE PROVIDER-DUE DILIGENCE				
1.1	Were other service providers considered?			20%	
	-If No, approvals to be attached.				
1.2	Is the selected Service Provider, the optimalService Provider?				
	If yes, please provide criterion used, as a separatedocument.				
1.3	Business background- For how many years they are in this business? (Tick one box as applicable)				
	-Below 3 Years				
	-Above 3 Years				
1.4	Whether the service provider has appropriatebackground verification of its employees?				
1.5	Any current issues facing by service provider which may affect the future financial operational performance?				
	-If yes, supporting to be attached.				
1.6	Under adverse condition-				
	-Does the Service Provider have financial soundness?				
	-Does the Service Provider have ability to servicecommitments?				

1.7	Whether independent reviews and market feedback on the service provider has been taken?			
	-If yes, supporting to be attached.			

2.SERVICE PROVIDER CONTRACT				
2.1	Does IML have a signed contract with the Service Provider?			20%

2.2	Does the contract ensure that the Service Provider must take all reasonable steps to safeguard and keep private any sensitive information provided by IML, specifically information regarding IML's clients?			
2.3	Does the contract ensure that the Service Provider will notify IML of any material change in its organization within a reasonable period of time?			
2.4	Does the contract clearly specify the roles and responsibilities of the Service Provider?			
	-Specifically, does the contract have a termination clause?			
	-Is there a time period to rectify any failure?			
2.5	Are there representations in the contract that confirm the financial and legal viability of the Service Provider?			

	-Does the Service Provider have liability insurance?				
	-If yes, What limits? - Supporting to be attached.				
2.6	Does the contract clearly set out IML's right to conduct oversight of the Service Provider?				
2.7	If the service provider is unable to perform the service over a given period of time, will there be any expected impact on IML customers?				
	- There will not be any expected impact on IML customers.				
	- Is there the likelihood it would harm IML reputation?				
	- If yes, do we have an alternate service provider?				
2.8	Whether the Agreement has been vetted by IML legal Dept. /counsel on their legal effect and enforceability?				
3. CONFIDENTIALITY AND SECURITY OF OPERATIONS					
3.1	Do we encrypt/password protect the data while sharing the same?			10%	

3.2	Whether Type of Storage of data includes the anyof the following				
	(magnetic tape; magnetic disks; optical discs, suchas CDs, DVDs and Blu-ray disks; flash memory; main memory (dynamic RAM); and cache memory.)				
3.3	Location of Data				
	- Offshore (Y/N) --(Y-0, N-1)				
	- Onshore (Y/N) --(Y-1, N-0)				
	-Onsite (Y/N)) --(Y-0, N-1)				
	-Offsite (Y/N) --(Y-1, N-0)				
3.4	Have we signed a Non-disclosure agreement withservice provider?				
3.5	Whether the Service provider systems are compatible with IML System?				
	- If No, what are the steps taken to make it compatible (Attach Annexures)				
4. REGULATORY INFORMATION					
4.1	Does the Service Provider or any of its employees or officers been subject to a regulatory action, investigation or warning?			10%	
	-If yes, supporting to be attached.				
5.OUTSOURCED FUNCTIONS					
5.1	Does the Service Provider further outsource any of its functions to third party service providers?				

				10%	
5.2	If yes, does the Service Provider conduct ongoing reviews of the quality of the outsourced services?				
6. COMPLIANCE					
6.1	Whether the Service Provider has an antimoneylaundering policy?				
6.2	Whether the Service Provider has a privacy policy?			10%	
7. LEGAL PROCEEDINGS					
7.1	Are there, or has there been, any criminal or civil proceedings taken against the Service Provider or any of its current or former key employees or directors?			5%	
	If so, provide details.				
8. INSURANCE					
8.1	Whether the Service Provider maintain bonding and insurance, as required, by applicable regulatory bodies or legislation?			10%	
9. BUSINESS CONTINUITY					
9.1	Does the Service Provider have a business continuity plan?				
9.2	When the BCP was last tested.			5%	
	-Within 6 Months				

	-Above 6 Months				
	Total			100%	

NOTES:

1. Vendor Risk Assessments should specify the Minimum Score set for the selection of the Vendor – this is particularly important where multiple vendors have been considered for selection
2. Any deviation to this policy needs to be highlighted to a level above the approving authority for acceptance or otherwise.

Assessment Done by:	Verified By
Name:	Name:
Designation:	Designation:
Signature:	Signature:
Date:	Date: