

OUTSOURCING POLICY
OF
SATTVA HOLDING AND
TRADING PRIVATE LIMITED

OUTSOURCING POLICY

INTRODUCTION:

The purpose of this document is to define the outsourcing policy for the company Sattva Holding and Trading Private Limited (hereinafter referred to as “Sattva”/” Company”) is a Private Limited Company incorporated under the Companies Act, 1956 which is a debt listed Company, listed on BSE Limited and registered with RBI as ND-SI-CIC (Non-Deposit taking Systemically Important Core-Investment Company)

Sattva is an Investment Company which holds investment in its various Group Companies.

PREAMBLE:

This Policy shall be termed as Outsourcing Policy of Sattva. 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.

Outsourced services may include such activities that may need expert advise, opinion and attention which shall help conducting Sattva, its operations in a smooth, efficient and effective manner.

OUTSOURCING:

'Outsourcing' is defined as the company's use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the company itself, now or in the future.

'Continuing basis' includes agreements for supply of financial services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations.

This policy is designed to manage the risks associated with outsourcing activities agreements including Strategic Risks, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systematic Risk.

ACTIVITIES THAT SHOULD NOT BE OUTSOURCED:

The Company shall not outsource core management functions including Risk Management, Strategic and Compliance functions and decision-making functions, management of investment portfolio, etc. The activities which shall weaken or compromise Internal Control, Business Conduct or Reputation shall not be outsourced.

ROLES AND RESPONSIBILITY

Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing activities and the policies that apply to such arrangements;

- Deciding on business activities of a material nature to be outsourced and approving such arrangements;
- 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, safety and soundness;
- Shall take the responsibility for the actions of their service provider

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:

1. The level of importance to the Company of the activity being outsourced as well as the significance of the risk posed by the same;
2. The potential impact of the outsourcing on the Company on various parameters such as earnings, solvency, liquidity and risk profile;
3. 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;
4. The cost of the outsourcing as a proportion of total operating costs of the Company; and
5. 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

DISCRETION OF OUTSOURCED ACTIVITIES:

The discretion for outsourcing activities will rest with Management of the Company, who will be responsible for the following:

1. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the policy and norms approved by the Board;
2. Developing and implementing efficient and effective outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activities;
3. Board shall review the policy from time to time;
4. Communicating information pertaining to material outsourcing risks to the Board in a timely manner;

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

OTHER FORMALITIES TO BE CONDUCTED:

AGREEMENTS: The terms and conditions governing the contract between the Company and the service provider shall be carefully defined in written agreements and vetted by the Principal Officer and Company Secretary on their legal effect and enforceability.

Some of the focal points to be kept in mind during a contract:

1. The contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
2. 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 and relevant clause to conduct audit (by Internal Auditor/External Auditor/Agents of the company) and to obtain a report for such an audit;
3. 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;
4. Adequate controls to be adopted by the Vendor for ensuring the customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated
5. A termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
6. Clause for prior Approval for use of a sub-vendor to provide the full or part of the services under agreement
7. Clauses to allow the Reserve Bank of India 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;
8. A clause to recognise the right of the Reserve Bank therewith to cause an inspection of a service provider of the company and its books and account by one or more of its officers or employees or other persons; and
9. Maintenance of the customer data confidentiality even after the expiry of the tenure of the agreement
10. Such other provisions deemed necessary by the Board / Principal Officer / Company Secretary or such mandated by any law considering the kind of activities and size of the operations of the Company.

EVALUATION OF OUTSOURCING SERVICE PROVIDER

As a part of comprehensive outsourcing risk management programme, the Risk Management Committee shall assess the materiality of the outsourced activity and conduct due diligence of service provider including but not limited to the following factors:

1. Past experience and competence to implement and support the proposed activity over the contracted period
2. Financial soundness and ability to service commitments even under adverse conditions
3. Business reputation and culture, compliance, complaints and outstanding or potential litigation
4. Security and internal control, audit coverage, reporting and monitoring environment, business continuity management
5. Ensuring due diligence by service providers of its employees
6. Compatibility of service providers systems with the company and acceptability of standards of performance in terms of customer service
7. Issues relating to undue concentration of outsourcing arrangements with a single service provider
8. Independent reviews and market feedback on service provider
9. Environment of the state / country / region where the third party is located.

Due Diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors. Enhanced due diligence of the service provider as well as its management will be conducted, as deemed fit by the Risk Management Committee.

Risk Management Committee, shall decide whether the Company will benefit overall by outsourcing the function.

Additionally, following shall form pre-requisite conditions for the Company to enter into an outsourcing arrangement with a service provider:

- The service provider is materially in compliance with the applicable regulations, guidelines, conditions of approval, license and / or registration, etc.

- The service providers have established and maintain contingency plans, developing and establishing a robust framework for documenting, maintaining and testing business continuity and recovery procedures.
- The service provider periodically tests the Business Continuity and Recovery Plan and also permits to undertake occasional joint testing and recovery exercises with the Company.
- The company can retain an appropriate level of control over the outsourcing activities and the right to intervene with appropriate measures to continue its business operations without any additional expenditure and break in the operations or services.
- The company holds viable possibility of bringing the activity back in-house in an emergency and the costs, time and resources that would be involved.
- The service providers are able to isolate the company's information, documents, records and other assets.
- The company can, in all appropriate situations, remove all documents, records of transactions and information given to the service providers from their possession in order to continue its business operations, or deleted, destroyed or rendered unusable.

The result of the risk assessment of outsourcing arrangements entered into shall be presented to the Board of Directors for ratification in the form of a report in the ensuing Board Meeting.

MAINTENANCE OF RECORDS

The records relating to all activities outsourced shall be preserved centrally i.e. at the Corporate / Head office so that the same is readily accessible for review by the Board and / or Risk Management Committee as and when needed. Risk Management Committee shall ensure that such records are updated promptly and yearly reviews shall be placed before the Board. All original records shall be continued to be maintained in India (in case the activities are outsourced offshore).

REVIEWS BY INTERNAL OR EXTERNAL AUDITORS

The Audit Committee, in consultation of the Risk Management Committee shall mandate periodic audits by Internal or External Auditors of the service providers, outsourcing policies, risk management practices adopted in overseeing and managing the outsourcing arrangement and compliance with Risk Management Framework.

ACCOUNTABILITY

1. The company shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the services were provided in-house.
2. The Company will ensure that the outsourcing arrangements do not affect the rights of customer against the Company in any manner. The Company shall be liable to the customers for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party, as covered under the agreement with the customer.
3. The facilities / premises and data / information that are involved in carrying out the outsourced activity by the third party shall be deemed to be those of the Company and that the Company itself shall have the right to access the same at any point of time.
4. The Company shall make necessary disclosures in the product literature / brochures stating that it may use the services of third-party service providers.

MONITORING OF OUTSOURCED ACTIVITIES

1. The Risk management committee shall, on an ongoing basis, monitor the efficiency and accuracy of the outsourced activities, along with continuously considering and updating the outsourcing risks.
2. The company shall, at a period specified by the Risk Management Committee, but at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue meet its outsourcing obligations. Such review shall highlight any deterioration or breach in performance standards, confidentiality and security and in business continuity preparedness.
3. The company shall ensure reconciliation of transactions with the service provider are carried out in a timely manner and ageing analysis of entries pending reconciliation with service providers shall be placed before Board of Directors and company shall make efforts to reduce the old outstanding items at the earliest
4. The Company shall impart necessary training to the service providers to handle their responsibilities with proper care and sensitivity viz. soliciting customers, hours of calling, privacy of customer information etc.
5. The Company shall also monitor, on a periodic basis, compliance of the Company's Fair Practices Code and Code of Conduct by the service providers.

CONFIDENTIALITY AND SECURITY:

The Company shall seek to ensure the preservation and protection of confidential data and documents.

GRIEVANCE REDRESSAL

Any grievances with respect to the outsourced activities of the Company shall be addressed to the Grievance Redressal Mechanism of the Company formulated under the Fair Practice Code and headed by the Grievance Redressal Officer. The contact details of the Grievance Redressal Officer of the Company shall be disclosed on the Company's website, all printed material issued by the service provider on behalf of the Company as well as every place of business of the Company and the Service provider.

REGULATORY APPLICABILITY ON SERVICE PROVIDERS

The Company shall intimate the service providers of the applicability of regulatory purview of the following nature on them by entering into an outsourcing arrangement (including recovery agent, Direct Sales Agent, KYC Collection Agencies and any other entity appointed for perform a part of the Lending/KYC process):

- a. Compliance with Fair Practices Code (Code of Conduct) of the Company
- b. Compliance with the Company's KYC & PML Policy
- c. The Service provider shall be subject to inspection and / or review of information / documentation by RBI, if so desired by the regulator.
- d. 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 Reserve Bank of India in carrying out its supervisory functions and objectives.

Suitable clauses in the agreements shall be inserted to specifically cover the above, in addition to the general principles prescribed under this policy.

WEBSITE:

The Board Approved-Outsourcing Policy will be hosted on the Company's website i.e. www.sattvaholding.com.

Outsourcing Vendors with whom new agreements have been executed as well as the agreements terminated shall be updated on the company's website to ensure customer protection.

UPDATE AND REVIEW:

The policy as well as its components (including agreements) shall be reviewed and updated by the board atleast annually.