

Aditya Birla ARC Limited

(A subsidiary of Aditya Birla Capital Ltd.)



PROTECTING INVESTING FINANCING ADVISING

OUTSOURCING POLICY

OF

ADITYA BIRLA ARC LIMITED

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1. INTRODUCTION

Aditya Birla ARC Limited is an asset acquisition and securitization company registered under Section 3 of the SARFAESI (defined herein below). In the course of acquisition and resolution of Financial Assets, the Company may have to outsource certain activities and functions to third parties. The term “**Outsourcing**” is defined as the use of one or more than one third party, either within or outside the group, to perform the activities associated with business and operations of the Company. Outsourcing may be resorted to with a view to reduce costs, increase efficiency and at times, for strategic reasons.

This Outsourcing Policy (“**Policy**”) aims to provide a framework for the use of third parties for performing the services / activities being performed by the Company.

2. OBJECTIVE:

The purpose of this Policy is to provide a framework for entering into any Outsourcing arrangements by ABARC and principles governing the same.

3. DEFINITIONS

- (i) “**ABARC**” or “**Company**” means Aditya Birla ARC Limited and would also include any trust(s) set-up by the Company for acquisition of Financial Assets.
- (ii) “**Board**” means the Board of Directors of ABARC, which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute, *inter alia*, to exercise its powers or to deal in any matter relating to or concerning the subject matter of this Policy.
- (iii) “**Compliance Officer**” means the Company Secretary of the Company or such other officer of the Company as may be designated as such by the Board from time to time.
- (iv) “**RBI**” means Reserve Bank of India
- (v) “**RBI Guidelines**” means the Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003 (as amended from time to time), Outsourcing Guidelines (by whatever name called) and such other applicable regulations, guidelines, directions and circulars as may be issued by RBI from time to time.
- (vi) “**SARFAESI**” means the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (as amended from time to time)
- (vii) “**Senior Management**” shall mean the Chief Executive Officer, Business Head, Chief Financial Officer, Company Secretary, Head – Legal and officers/ personnel of the Company who are members of its core management team excluding the Board.

(viii) **“Service Provider”** or **“Third Party”** means any entity or person, including but not limited to any entity belonging to Aditya Birla Group, to whom any activity(ies) / function(s) / operation(s) of the Company are outsourced or considered to be outsourced.

Words and expressions used and not defined in this Code but defined in the RBI Guidelines or SARFAESI shall have the meanings respectively assigned to them in those legislation(s).

4. PROHIBITION ON OUTSOURCING OF CERTAIN ACTIVITIES

The Company shall not outsource core management functions including but not limited to strategic and compliance functions, decision-making functions w.r.t. acquisition or realization of any Financial Assets, management of its trusts / investors’ funds and such other activities / functions as may be restricted / prohibited to be outsourced by RBI or any other Government / Regulatory authority, from time to time.

5. ACTIVITIES THAT CAN BE OUTSOURCED

The Company may outsource to any Third Party any of the following activities, whether partially or in full.

1. Information Technology and related services
2. HR, Payroll, Administration related services
3. Accounting
4. Investor servicing
5. Internal audit
6. Custody / Record keeping services
7. Due diligence of Financial Assets
8. Enforcement activities for realization of Financial Assets
9. Legal services for drafting, counselling, filing or defending claims / cases etc.
10. Any other services / activities / functions as may be decided by the Senior Management to be outsourced from time to time.

6. PRINCIPLES GOVERNING OUTSOURCING OF ACTIVITIES / FUNCTIONS OF THE COMPANY

(A) RISK MANAGEMENT

ABARC shall make an assessment of outsourcing risk which would depend on several factors, including the scope and materiality of the outsourced activity, etc. The following factors shall be considered from risk management angle:

- Strategic Risk: Where the Third Party conducts business which is inconsistent with the overall strategic goals of ABARC.

- Reputation Risk: In cases where interaction of Third Party with investors / borrowers is not consistent with the overall standards of ABARC.
- Compliance Risk: In cases where the Third Party is in violation of privacy, consumer and prudential norms / laws.
- The impact of failure of a Third Party to adequately perform the activity on the financial and operational performance of the Company.
- Ability of the Company to cope up with the work, in case of non-performance or failure by a Third Party.
- Regulatory status of the Third Party, including its fitness and probity status;
- Ability of the Company to enforce the contracts with the Third Party.
- Situations involving conflict of interest between the Company and the Third Party and the measures put in place by the Company to address such potential conflicts, etc.
- Safeguard against co-mingling of information / documents, records and assets of the Company at the Third Party's end, in case where the Third Party acts as an outsourcing agent for multiple clients.

(B) CAPABILITY OF THE THIRD PARTY

The Company shall carry out appropriate due diligence to assess the capability of the Third Party to comply with obligations in the outsourcing arrangement. Such due diligence shall take into consideration:

- Qualitative and quantitative, financial, operational and reputational factors of the Third Party.
- Compatibility of systems of the Third Party,
- Concentration of outsourcing arrangements with a single Service Provider.
- Past experience and competence
- Business continuity management of the Third Party.

(C) OUTSOURCING OF ACTIVITY WITHIN GROUP COMPANIES

The Company shall ensure appropriate written arrangements at arm's length distance is made for any activity to be outsourced including manpower, record keeping, etc. Such arrangements should ensure that potential conflict of interests between the Company and the Third Party are avoided and accordingly necessary disclosures in this regard shall be made as part of the contractual agreement.

The Company shall ensure that such arrangements/agreements:

- a. covers details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
- b. do not lead to any confusion to the customers on whose products/ services they are availing by clear physical demarcation of the space where the activities of the Company and those of its other group entities are undertaken;
- c. do not compromise the ability to identify and manage risk of the Company on a stand-alone basis;
- d. do not prevent the RBI or any other regulatory, government or semi-government authority or body from being able to obtain information required for the supervision of the Company or pertaining to the group as a whole; and

- e. that there is a clear obligation for any Service Provider to comply with directions given by the RBI or any other regulatory, government or semi-government authority / body in relation to the activities of the Company.

In addition to the above, the Company shall consider the factors as mentioned above in Para 6(A) while Outsourcing any of its activities or operations to any group entity.

(D) WRITTEN CONTRACTS / AGREEMENTS

- All outsourcing arrangements shall be executed only by way of a clearly defined and legally binding written contact with the Service Provider.
- Such outsourcing contract shall *inter-alia*, as applicable, define and / or provide for the activities to be outsourced, liability of the Service Provider for unsatisfactory performance/other breach of the contract, continuous monitoring and assessment of the Service Provider, conditions of sub-contracting by the Service Provider, confidentiality to be maintained by the Service Provider, responsibilities of Service Provider w.r.t. IT security, insurance cover etc., preservation of documents by the Service Provider, transfer of information and exit strategies in the event of termination of contract, right to inspect / audit books / records and information of the Service Provider by the Company and /or the regulator w.r.t. the activity outsourced, maintenance of records by the Service Provider for audit trail purposes etc..

(E) CONTINGENCY PLAN

Depending upon the nature and size of the function / activity to be outsourced, the Company shall seek to ensure that the Third Party:

- a. Develops and establishes a robust framework for documenting, maintaining and testing business continuity and recovery procedures including periodically testing the Business Continuity and Recovery Plan and may also consider occasional joint testing and recovery exercises with the Company.
- b. reviews its backup facilities to confirm the adequacy of its systems.

(F) CONFIDENTIALITY

The Company shall prevail upon the Third Party to ensure that there is limited access to the data handled and only on a “need to know” basis. 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 and the Service Provider is able to isolate and clearly identify the Company’s / Company related information, documents, records and assets to protect the confidentiality of the information.

7. RECORD KEEPING AND AUDIT

The Company shall maintain a record of all Material Outsourcing that is readily accessible for review by the Board and Senior Management.

Apart from execution of written terms and conditions with the Third Party, the Company may, on a case to case basis, carry out periodically review the financial and / or operational conditions of the Third Party, with available information, to assess its ability to continue to meet its outsourcing obligations. The Company may also, on a case to case basis, obtain necessary confirmation or certification from the Third Party to the effect that the Third Party acts and carries out its duties and responsibilities as per the terms agreed upon with the Third Party or the Company may undertake / cause the Third Party to undertake audit of the systems and operations of the Third Party, to assess that the Third Party acts and carries out its duties and responsibilities as per the agreed terms.

8. REVIEW

Wherever felt necessary, the Board shall carry out reviews by internal or external auditors of the outsourcing policy, risk management system and requirements of the regulator.

9. AMENDMENT TO THE POLICY

The Compliance Officer shall, in consultation with the concerned Senior Management, review and modify this Policy, as and when required. It may further be clarified that if and when any act, rules, regulations or guidelines concerning the subject matter of this Policy (including definitions, forms and formats) are promulgated, amended, enacted, re-enacted or modified, this Policy shall, unless otherwise prescribed, be deemed to be amended to take into account / give effect to such act, rules, regulations or guidelines.