Outsourcing Policy

Namdev Finvest Private Limited

Registered Office:

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INDIA

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Recommended by	**Sakshi Sharma**	
Approver	**Board of Directors**	**June-2024**

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1. Introduction

Namdev Finvest Private Limited (NFPL) is a Non-Banking Financial Company having valid Certificate of Registration with Reserve Bank of India vide registration No. B-10.00260 on 20th August 1997 under current RBI classification as NBFC – Non-Deposit taking Asset Finance Company.

It is focused on offering finance to MSME, Two-wheelers, Solar panel loan, Electric Vehicle (EV) loan, EV charging station loan and all kind of light commercial vehicles segment.

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;
- Housekeeping and Maintenance Services;
- Legal, labour and compliance related 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 shall not outsource its core management functions or activities including internal audit, strategic and compliance functions and decision-making functions such as determining compliance with KYC norms for opening deposit accounts, according sanctions for loans (including retail loans) and management of investment portfolio.

However, the Company may outsource these function within the group subject to compliance with instructions as provided in point 9 i.e. Outsourcing within a group.

Further, while internal audit function itself is a management process, the internal auditors can be on contract.

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:

- the level of importance to the NBFC 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 NBFC on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
- the likely impact on the NBFC'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 NBFC;
- the aggregate exposure to that particular service provider, in cases where the NBFC outsources various functions to the same service provider and
- the significance of activities outsourced in context of customer service and protection.

6. Risks Arising Out of Outsourcing

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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 arises due to outsourcing are:

- Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the NBFC.
- Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of the NBFC.
- 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 NBFC 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 NBFC is over-reliant on one firm, the loss of relevant skills in the NBFC itself preventing it from bringing the activity back in-house and where NBFC 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 NBFC 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 NBFC may lack control over the service provider.
- Country Risk – Due to the political, social or legal climate creating added risk.

7. Selection of Service Provider

To enable sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities, all concerned departments who decide to outsource a financial activity/service shall follow the below mentioned principles applicable to arrangements entered into by the Company with the Service Provider. A well-defined structure of roles & responsibilities discussed hereinafter shall be in place to decide on the activities to be outsourced, selection of service provider, terms & conditions of outsourcing and monitoring mechanism etc.:

- 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.
- 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.
- 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;
- Service Provider's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
- Compatibility of the practices and systems of the Service Provider with the Company's requirements and objectives;

- Market feedback of the prospective Service Provider’s business reputation and track record of their services rendered in the past;
- Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- ensuring due diligence by Service Provider to its employees.

8. Role of The Board and Senior Management

- The Board of the Company or Committee of the Board along with the senior management to which powers have been delegated shall from time to time be responsible for evaluating the risks and materiality of all existing and prospective outsourcing arrangements.
- The Compliance-in-charge nominated by the Board 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 leadings to the proposed outsourcing, and submit the same to the Board.
- Reviewing the outsourcing proposals and independently evaluating the risks of all existing and prospective outsourcing, based on this Policy and recording the assessment thereof.
- Ensuring that contingency plans, are in place and tested as dictated by the Policy vis-a- vis the outsourced activities.
- Drafting and finalising the outsourcing agreement with the Third Party.
- The Board shall deliberate on an outsourcing contract and after discussions, the Board may recommend for approval or reject the proposals and the reasons for the said decision taken shall be recorded in writing.
- The compliance-in-charge nominated by the Board shall present his recommendation to the Board along with the reasons for approving an outsourcing proposal.

9. Outsourcing Agreements

Outsourcing arrangements shall be secured by legally binding written contracts which shall cover all material aspects pertaining to the same and shall have clauses / conditions including but not limited to the following:

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- the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- 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;
- the contract shall provide for continuous monitoring and assessment by the Company of the service provider;
- termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;

- there shall be controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
- the service provider shall have implemented a contingency plan to ensure business continuity;
- 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;
- it shall provide the Company with the right to conduct audits 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 in conjunction with the services performed for the Company;
- outsourcing agreements shall include clauses to allow the Reserve Bank of India or persons authorised by it to access and inspect the Company's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time;
- the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated and
- the agreement shall contain necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

10. Responsibilities of Direct Sales Agents (DSA)/ Direct Marketing Agents (DMA)/ Recovery Agents

- The Company shall ensure that the DSA/ DMA/ Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer, etc.
- The Fair Practices Code of the Company shall also be applicable to the DSA/DMA/Recovery Agents.
- The Company and their agents shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

11. Maintenance Of Records

- 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 will be updated promptly and shall be placed before the Board or Risk Management Committee.
- Such records shall be regularly updated and may also form part of the corporate governance review by the management of the Company.

12. Redressal of Grievances Related to Outsourced Services

- The Nodal Officer of the Company will also act as a Grievance Redressal Officer for the purpose of outsourced Services. The designated officer shall ensure that genuine grievances of the Customers are forwarded to concerned department and redressed promptly without any delay.
- The grievance redressal procedure of the Company and the time frame fixed for responding to the complaints will be governed by Grievance Redressal Policy adopted by the Company, which is placed on the Company's website.

13. Review

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

Grievances Redressal System - Stakeholders