ABANS FINANCE PRIVATE LIMITED

OUTSOURCING POLICY

VERSION I

Version	Adoption/Amended	Authority	Date
I	Adoption	Board of Directors	April 4, 2025

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I. POLICY STATEMENT AND PURPOSE

Abans Finance Private Limited ('AFPL' or 'the Company') is a Material subsidiary of Abans Financial Services Limited. From March 31, 2024, it has been categorized as a Middle-Layer NBFC (NBFC-ML). The purpose of this Policy is to comply with all applicable regulatory requirements and maintains the highest standards of corporate governance, risk management, and ethical conduct.

This Policy on Outsourcing is framed in accordance with the instructions given on Managing Risks and Code of Conduct in Outsourcing Financial Services by NBFCs as given in the **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023**, *RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24.*

II. SCOPE

The Outsourcing Policy will be applicable to any Service Provider used by the Company for the applicable outsources activities.

III. OBJECTIVES

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, Delegation of authority depending on risks arising out of outsourcing, materiality and systems to monitor, Review the operations and management of these risks.

IV. DEFINITIONS

The definitions set forth herein shall be interpreted in accordance with the applicable provisions and shall be deemed to include any modifications, amendments, substitutions, or re-enactments thereof, as may be in force from time to time.

a) "**Continuing Basis**" includes agreements for a limited period.
b) "**Outsourcing**" is defined as the Company's use of a third party (either an affiliated entity that is external to the corporate group) to perform activities on a continuing basis that would be normally undertaken by the Company itself, now or in the future.
c) **"Service Provider**" may either be a member of the group/ conglomerate to which the AFPL belongs, or an unrelated party that delivers services to AFPL.

All other terms not specifically defined herein shall have the same meaning as assigned to them under the RBI Master Directions, and any other applicable laws, rules, or regulations for the time being in force.

V. MATERIAL OUTSOURCING

Material outsourcing arrangements are defined as those which, if disrupted, could significantly affect the organization's business operations, reputation, or profitability. The determination of materiality shall be guided by the Scale-Based Regulation and at the discretion of the Risk Management Committee, which may classify or reclassify outsourced activities as material based on their potential impact,

VI. EVALUATION AND SELECTION OF SERVICE PROVIDER

In considering or renewing an outsourcing arrangement, appropriate due diligence shall be performed to assess the capability of the Service Provider to comply with obligations in the outsourcing agreement. The Company shall consider whether the Service Provider's systems are compatible with its own and also whether their standards of performance including in the area of customer service are acceptable to it. The Company shall also consider, issues relating to undue concentration of outsourcing arrangements with a single Service Provider. Wherever possible, the Company shall obtain independent reviews and market feedback on the Service Provider to supplement its own findings.

The due diligence process shall entail a comprehensive evaluation of all relevant and available information pertaining to the Service Provider, including, but not limited to, the following parameters:

i. Previous experience and competence to implement and support the proposed activity over the contracted period;
i. Financial soundness and ability to service commitments even under adverse conditions;
ii. Business reputation and culture, compliance, complaints and pending / potential litigations;
iii. Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and ensuring due diligence by Service Provider of its employees.

Subject to satisfactory completion of due diligence, the selection of the service provider shall thereafter be undertaken in accordance with the prescribed evaluation criteria and approval process:

(a) Service Provider's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
(b) Compatibility of the practices and systems of the Service Provider with the Company's requirements and objectives;
c) Market feedback of the prospective Service Provider's business reputation

and track record of their services rendered in the past;
(d) Level of concentration of the outsourced arrangements with a single party

VII. NON-OUTSOURCEABLE ACTIVITIES

In compliance with the Master Direction issued by the RBI, the Company shall not outsource the following;

- Core management functions including Internal Audit, Strategic and Compliance functions.
- Decision-making functions such as determining compliance with KYC norms.
- Sanction of loans.
- Management of investment portfolio.

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

VIII. RISKS ARISING OUT OF THE 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 arises 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.

In recognition of the inherent risks associated with outsourcing financial services, the Risk Management Committee shall play a central role in identifying, assessing, and responding to such risks in a timely and effective manner.

IX. OBLIGATIONS OF THE SERVICE PROVIDER

A. Outsourcing Agreement

All outsourcing arrangements must be formalized through a clearly defined Contract with each Service Provider. These Contracts must be reviewed and approved by the Company's Legal team to ensure legal validity and enforceability. The agreement must be flexible enough to allow the Company to retain adequate control over the outsourced functions and the Company can intervene when necessary to fulfil legal and regulatory obligations.

Additionally, the agreement will explicitly define the legal nature of the relationship between the parties (e.g., principal-agent or otherwise). All the key provisions as mentioned in the Scale Based Regulations shall be included in the outsourcing contract.

B. Confidentiality and Security

Public confidence and customer trust are prerequisites for the stability and reputation of the Company. Hence the Company shall seek to ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider. In this regard, the Service Provider shall ensure that:

Access to customer information by staff of the Service Provider shall be on 'need to know' basis i.e. limited to those areas where the information is required in order to perform the outsourced function.

- 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.
- The Company shall be entitled to regular review and monitoring of the security practices and control processes of the Service Provider and the Service Provider shall disclose security breaches to the Company.
- The Service Provider shall immediately notify to the Company and RBI in the event of any breach of security and leakage of confidential customer related information.

C. Business Continuity and Management of Disaster Recovery Plan

The Service Provider agrees to the following:

- Develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. The Service Provider should periodically test the Business Continuity and Recovery Plan and allow the Company to test it too.

- The service providers should isolate the Company's information, documents and records, and other assets so 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.

D. Monitoring and Control of Outsourced Activities

The Service Provider agrees to the following:

- The Company shall be entitled to at least on 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.
- The Company, in the event of termination of the outsourcing agreement for any reason in cases where the Service Provider deals with the customers, shall publicize by displaying at a prominent place in all the offices, posting it on the website, and informing the customers of the same so as to ensure that the customers do not continue to deal with the service provider.

X. MONITORING AND CONTROL OF OUTSOURCED ACTIVITIES

The Risk Management Committee of the Company shall be responsible for overseeing all outsourcing activities. They will ensure a proper management structure is in place, regularly monitor outsourced functions. A central record of all material outsourcing that is readily accessible for review by the Board and senior management of the Company shall be maintained. The records shall be updated promptly and placed before the Risk Management Committee.

XI. ROLE OF THE BOARD AND SENIOR MANAGEMENT

A. Role of the Board

As appointed by the Board, the Risk Management Committee shall be responsible inter alia for the following:

i. Setting up suitable administrative framework of senior management for the purpose of these directions;
ii. Undertaking reviews of outsourcing strategies and arrangements for their continued relevance and safety and soundness; and
iii. Deciding on business activities of a material nature to be outsourced and approving of such arrangements.

B. Responsibilities of the Senior Management

The Senior Management shall be responsible inter alia for the following:

i. Evaluate the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Risk Management Committee

ii. Develop and implement sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;.

iii. Review periodically the effectiveness of policies and procedures;

iv. Communicate information pertaining to material outsourcing risks in the Board in a timely manner;

v. Ensure that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;

vi. Ensure that there is independent review and audit for compliance with set policies; and

vii. Undertake periodic reviews of outsourcing arrangements to identify new material outsourcing risks as they arise.

XII. OUTSOURCING WITHIN THE GROUP

The Company may enter into service arrangements with group entities for various operational needs, including but not limited to the sharing of premises, legal and professional services, hardware and software infrastructure, centralized back-office functions, and the outsourcing of specific financial services. Prior to entering into such arrangements, the Company shall ensure the existence of a Board-approved policy and execute formal service level agreements with the respective group entities. These agreements shall clearly delineate the scope of services, resource sharing (including premises and personnel), and confidentiality obligations.

The Company shall ensure that such arrangements:

1. Are formally documented through written agreements specifying the scope of services, applicable charges, and provisions for maintaining the confidentiality of customer data;
2. Do not create ambiguity for customers regarding the identity of the entity offering the product or service, particularly in cases involving multiple group entities or cross-selling;
3. Maintain clear physical demarcation within shared premises to distinguish the operations of the Company from those of other group entities;
4. Do not impair the Company’s ability to identify and manage risks independently on a standalone basis;
5. Do not hinder the Reserve Bank of India (RBI) from obtaining any information necessary for the supervision of the Company or the group as a whole;
6. Include a mandatory clause requiring all service providers to comply with any

directions issued by the RBI in relation to the Company's activities

All provisions outlined under Clauses VIII of this Policy- the *Obligations of the Service Provider*, shall apply mutatis mutandis to any arrangements entered into with the group entities.

XIII. OFF-SHORE OUTSOURCING

In the case of engagement with a foreign service provider, the Company shall be responsible for conducting a thorough evaluation and ongoing monitoring of the economic, political, social, and legal environment of the jurisdiction in which the service provider operates. Outsourcing arrangements should only be made with service providers in jurisdictions that uphold confidentiality agreements. The governing law of the outsourcing agreement must be clearly specified. Off-shore outsourcing must not hinder the Company's ability to reconstruct or supervise its Indian operations in a timely manner. The arrangement must ensure that records and data remain accessible to the Company and the Reserve Bank of India (RBI), even in the event of liquidation of either party. If the off-shore Service Provider is a regulated entity, the foreign regulator must not object to RBI inspections or visits by the Company's internal/external auditors. The foreign regulator must not have access to data related to Indian operations solely because processing occurs in that jurisdiction (unless it is the Company's home country). The jurisdiction of foreign courts must not extend to the Company's Indian operations merely due to data processing being conducted offshore. All original records must be maintained in India, regardless of where the processing takes place.

XIV. RESPONSIBILITIES OF DIRECT SALES AGENTS (DSA)/DIRECT MARKETING AGENTS (DMA)/RECOVERY AGENTS:

The Company shall ensure that 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. Recovery Agent shall adhere to extant instructions on Fair Practices Code of the Company as also their own code for collection of dues and repossession of security, it is essential that the Recovery Agents refrain from action that could damage the integrity and reputation of the Company and that they observe strict customer confidentiality. 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.

XV. REDRESSAL OF GRIEVANCES RELATED TO OUTSOURCED SERVICES

Any grievances arising in relation to outsourced services shall be addressed by the Company's Grievance Redressal Officer, as designated under the Grievance Redressal Policy. 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 shall be placed on the Company's website.

XVI. REPORTING OF TRANSACTIONS TO FINANCE INTELLIGENCE UNIT (FIU) OR OTHER COMPETENT AUTHORITIES

The Company would 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.

XVII. AMENDMENT

The Board of Directors of the Company reserves the power to review and amend this Policy from time to time, subject to revision / amendment in accordance with applicable laws as may be issued by relevant statutory, governmental and regulatory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant statutory, governmental and regulatory authorities are not consistent with the provisions laid down under this Code, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder.