



Richa Holdings Limited

Outsourcing Policy

Richa Holdings Limited (herein referred to as “RHL” or “the Company”) is a Company registered under the Companies Act, 2013 having license by Reserve Bank of India (“RBI”) to deal as Non-Banking Financial Company. Presently RHL is classified as an Investment and Credit Company. We are known to provide financial assistance to inter corporates from last 10 years.

‘Outsourcing’ is defined as the NBFC’s use of a Third-Party hereafter referred as (“Service Provider”) to perform activities on continuing basis that would normally be undertaken by the NBFC itself, now or in the future. ‘Continuing basis’ includes agreements for a limited period.

Typically, ‘Outsourced financial services’ includes applications processing (loan origination), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others.

Objectives & Regulatory Framework

RHL may be intending to outsource any of its financial activities shall put in place a comprehensive outsourcing policy approved by its Board, which incorporates, inter alia criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities.

The objective of having policy in place for outsourcing activity is to protect the interest of the customers of RHL and to ensure that the Company and the Reserve Bank of India have access to all relevant books, records and information available with service provider and to ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and RBI nor impede effective supervision by RBI.

RBI Directions.

RBI has issued directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs. The directions are applicable to material outsourcing arrangements which may be entered into by an NBFC with a service provider located in India or elsewhere. The service provider may either be a member of the group/ conglomerate to which the NBFC belongs or an unrelated party.

These directions are concerned with managing risks in outsourcing of financial services and are not applicable to technology-related issues and activities which are not related to financial services, such as usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records etc.

Activities that shall not be outsourced

RHL if choose to outsource financial services shall not outsource following services:

- 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. However, for NBFCs in a group/ conglomerate, these functions may be outsourced within the group subject to compliance with instructions elaborated below in outsourcing within the group.

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
- Shall take the responsibility to maintain the confidentiality of information pertaining to the customers that is available with the service provider;

Risk in Outsourcing

The key risks in outsourcing are Strategic Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Concentration and Systemic Risk. The failure of a service provider in providing a specified service, a breach in security/ confidentiality, or non-compliance with legal and regulatory requirements by the service provider can lead to financial losses or loss of reputation for the Company.

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. Due diligence shall take into consideration qualitative and quantitative, financial and operational factors.

RHL 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. Where ever possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

Outsourcing Contract

RHL shall ensure the terms and conditions governing the contract with the service provider are carefully defined in written agreements and vetted by RHL's legal team on their legal effect and enforceability. Every such agreement shall address the risks and risk mitigation strategies. The agreement shall be sufficiently flexible to allow the RHL to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of legal relationship between the parties.

Monitoring and Control of Outsourced Activities

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 on half yearly basis reviews shall be placed before the Board.