

SIEMENS

OUTSOURCING POLICY

SIEMENS FINANCIAL SERVICES PRIVATE LIMITED

COF India - ARE 505n

Version 1.5

Approved by the Board of Directors in their meeting held on 13th March 2024

<p>Sd/-</p> <hr/> <p>Sunil Kapoor (CEO & Managing Director)</p>	<p>Sd/-</p> <hr/> <p>Prashant Shetty (CFO & Whole-time Director)</p>	<p>Sd/-</p> <hr/> <p>Devendra Malegaonkar (Company Secretary & Compliance Officer)</p>
--	---	---

Documentation of history of change/ amendment and reviews of the Outsourcing Policy:

Version	Review Date	Changes made	Approvals
1.1	10 th January 2018	Initial Adoption of the Policy	Board of Directors by Board Resolution on 10 th January 2018
1.2	26 th June 2018	Extension of Applicability to SFPL	Board of Directors by Board Resolution on 26 th June 2018
1.3	8 th December 2021	Periodic Review	Board of Directors by Board Resolution on 8 th December 2021
1.4	26 th July 2023	Periodic Review	Board of Directors by Board Resolution on 26 th July 2023
1.5	13 th March 2024	Process Improvements	Board of Directors by Board Resolution on 13 th March 2024

1. Preamble

Siemens Financial Services Private Limited (SFSPL) is a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC ND SI), registered with the Reserve Bank of India (RBI).

The Reserve Bank of India vide its 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) dated October 19, 2023 provides guidance to NBFC's to adopt sound and effective risk management practices for effective oversight, due diligence and management of risk arising from outsourcing activities.

The RBI Guidelines on Outsourcing of financial services by NBFC's are **applicable to material outsourcing arrangements 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.

Additionally, as per the requirements of the RBI, subsidiary companies of an NBFC-ND-SI are also required to adhere to the guidelines and regulations applicable to an NBFC-ND-SI even though the subsidiary company is not classified as one. Hence, the applicability of this Policy is also extended to Siemens Factoring Private Limited (SFPL) which is a wholly owned subsidiary of SFSPL.

2. Scope

The purpose of this policy is to create a framework on criteria for selection of financial activities to be outsourced 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 guidelines on managing risks and code of conduct in outsourcing of financial services by NBFCs laid down by the Reserve Bank of India are concerned with managing risks in outsourcing services.

While deciding on scope of activities to be outsourced, the following considerations should be kept in purview:

- The activity should be such which could be performed efficiently by an external agency
- Such outsourcing should result in maintaining, if not enhancing the quality of customer service
- In normal course, the Outsourced vendors should not have access to the core applications unless specifically approved on need to know basis.

- It should result in cost reduction for the NBFC

3. Objective of the Policy

The objective of this policy is to bring the outsourced activities within the regulatory purview so as to protect the interests of the customers of NBFC's and to ensure that the concerned NBFC and the Reserve Bank of India have access to all relevant books, records and information available with the service provider.

In pursuit of growth and efficiencies, it is imperative that certain functions are outsourced which can be performed by specialized agencies more effectively, efficiently, and at lower costs. NBFC should ensure that outsourcing arrangements neither diminish their ability to fulfil its obligations to customers nor impede effective supervision by the supervising authority. The Outsourcing Policy of the NBFC aims at the following:

- Meet or exceed Reserve Bank of India (RBI) requirements on outsourcing in the NBFC.
- Assign clear accountability and responsibility for management of Outsourcing activities in the NBFC.
- Define the types of activities that can or cannot be outsourced by the NBFC to external vendors.
- Define the various risks associated with outsourcing and the techniques the NBFC shall employ to mitigate the risks.
- Designing a comprehensive methodology for selection of activities to outsource, selection and monitoring of vendors and assess the materiality of the outsourced activity.
- NBFC should not engage in outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened.

4. Review of the Policy

The policy would be reviewed annually or as and when considered necessary by the Board.

5. Outsourcing

Outsourcing (or contracting out) is often defined as the delegation of non-core operation or jobs from internal production within a business to an external entity (such as subcontractor) that specializes in that operation. Some of the top reasons for businesses to outsource their activities include more focus on core activities, to reduce costs, to improve quality, fostering innovation

and conserving capital. Outsourcing became a popular buzzword in business and management in the mid 1990's.

Business segments typically outsourced include IT, human resources, logistics/warehousing services, security and accounting. Businesses seek to outsource activities that are not deemed as core to the business.

Outsourced financial services include applications processing (loan origination, credit card), document processing and back office related activities, etc.

IT Services Outsourcing are currently covered under this policy but shall be separately covered under the IT Outsourcing Policy of the Company once approved and adopted by the Board in compliance with the RBI regulations, as applicable.

6. Non-Financial Activities not considered as Outsourcing under this Policy:

Outsourcing arrangements in normal course of business like Insurance, contract staffing, consultancy services, marketing services, audit services, C&F agents, credit rating agency fees and consulting, transportation services for employees and others, ad-hoc asset verification services, IT accessories, statutory payments, courier, Security services, Janitorial services, canteen services would be considered as non-financial outsourcing and would be kept out of the purview of this policy.

Audit related assignments to relevant competent firms, for example Chartered Accountant firms/ Cert-In empaneled auditor will continue to be governed by the instructions/policy laid down by the Internal Audit Dept. of the NBFC.

7. Activities considered as Outsourcing irrespective of its Material Impact

Typical activities covered under this policy as outsourcing would include but not limited to as follows:

- Sourcing Leads generation
- Contract Management System (CMS)
- Supervision of loans and leases
- Collections management

- Customer service helpdesk/ call centre services.
- Document/ Data/ Transaction Processing including payments, loans
- Direct Back office related activities etc.
- Leased Office rentals
- Risk assessment tools and services
- Technology Infrastructure Management - Maintenance and Support

The Argus checks shall be done for all such outsourcing vendors at the time of onboarding irrespective of their materiality by the finance department and they shall retain the evidence of the same.

8. Outsourcing / Off-shoring / Off-shore outsourcing

The terms outsourcing, off-shoring and off-shore outsourcing are generally interchanged with each other, however each of these are different from each other. Outsourcing in corporate context, represents an organizational practice that involves the transfer of an organizational function to a third party. When this third party is located in another country it refers to off-shore outsourcing. Off-shoring refers to the transfer of an organizational function to another country, regardless of whether the work stays in the corporation or not.

9. Advantages of Outsourcing

Outsourcing is beneficial as it increases the product quality, lowers costs substantially, or results in both. Through outsourcing, companies today have the ability to develop competitive strategies that will leverage their financial position in the ever growing competitive marketplace:

- **Availment of technological know-how** - Outsourcing leads to the ability to utilize the technological know-how of other organizations. This allows businesses to find the specific requirements they need to implement their target objectives.
- **Deployment of Core Competencies** - Outsourcing allows deploying distinct competencies of other organizations which leads to long term benefits
- **Projection of future costs** - Organizations that choose to outsource have the ability to determine exact future costs.

- **Reduction in Costs** - Outsourcing leads to adoption of economical approach for developing/improving products and services.
- **Supervisory Requirements** - In case any outsourcing activity is arising in consequence of a supervisory direction ipso facto will form part of the Bank's Outsourcing Policy. That is the instructions of supervisory requirement will form part of the Outsourcing Policy, ipso facto.

10. Activities that should not be outsourced

The Core Management Functions including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening accounts, according sanction for loans and management of investment portfolio shall not be outsourced.

11. Material Outsourcing

Material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability or customer service. 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.

Refer to the Annexure 1 containing the template to assess material outsourcing.

12. Obligations including Regulatory and Supervisory Requirements

It should be ensured that the ultimate control of the outsourced activity rests with SFSPL (the Company). The following factors need to be specially looked into:

- The Company would 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.
- Due diligence in relation to outsourcing, to consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.
- Outsourcing arrangements shall not affect the rights of a customer against the Company, including the ability of the customer to obtain redress as applicable under relevant laws.
- In cases where the customers are required to deal with the service providers in the process of dealing with SFSPL, the Company shall incorporate a clause in the relative product literature/ brochures, etc., stating that they may use the services of agents in sales/ marketing etc. of the products. The role of agents may be indicated in broad terms.
- Outsourcing, whether the service provider is located in India or abroad 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.
- A robust grievance redress mechanism should be available which in no way shall be compromised on account of outsourcing.
- The service provider, if not a group company of SFSPL, shall not be owned or controlled by any director of the Company or their relatives; these terms have the same meaning as assigned under Companies Act, 2013.

- Contingency arrangements are in place for critical services and the outsourcing activities itself
- Documentation of contingency plan available, if any.
- If contingency plan is not available:
 - a) identify alternate third party service providers
 - b) prescribe detailed arrangements
 - c) initiate actions and alternative approaches, should the service providers contingency arrangements fail or be delayed if the service provider cease activities

13. Discretion of Activities outsourced

Besides adherence to the extant instructions on delegation and compliance of tender rules, it should be ensured that outsourcing should not result in loss of internal control or in business conduct / reputation being compromised or weakened.

13.1 Role and Responsibilities of the Board

The Board of the Company, or a Committee of the Board or the Risk Management Committee of the Board to which powers have been delegated shall be responsible *inter alia* for the following:

- Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
- Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
- 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, and safety and soundness and

13.2 Responsibilities of the Senior Management

- Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
- Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
- Reviewing periodically the effectiveness of policies and procedures;
- Communicating information pertaining to material outsourcing risks to the Board in a timely manner;
- Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
- Ensuring that there is independent review and audit for compliance with set policies; and
- Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

13.3 Authority Matrix for availing outsourcing services from vendors:

The Signature Mandates for Core and Non-Core business activities in place shall be adhered to for approving outsourcing services from vendors.

The departments availing the services shall be responsible for undertaking KYC and due diligence measures / empanelment / assessment / monitoring of performance on a continuous basis as also taking corrective steps in between, from time to time.

The respective department outsourcing the activity will have the ultimate responsibility for the outsourced activity.

The Respective department’s outsourcing activity will be approved as per the authority matrix mentioned above after consideration by the management on the make or buy assessment.

Depending upon the level and types of risks outsourced activities are exposed to, clearance of the Finance Department is to be obtained along with the mapping of the risk and mitigation proposed in Point no. 14 below.

Approval Process:

Proposer of Outsourcing Arrangement	Departmental Heads
Review and Recommendation Departments	Finance Department, Compliance Department (in case of any adverse remarks found against the vendor) and Management
Approver	As per the authority matrix (core and non-core business)

The proposer of outsourcing arrangement shall initiate the outsourcing note that would provide the following details:

- Description of Activity to be outsourced
- Justification / need for outsourcing
- Risk factors involved in the outsourcing process such as strategic, reputation, legal, compliance, operational and counterparty risk etc.,
- Statement of cost benefit analysis based on projected
- Common industry practices,
- Regulatory Compliances, if any,
- Parameters of materiality of outsourcing as per Point 11 of the policy.

The Management after due deliberations, may carry out one of the following actions:

- Approve the outsourcing arrangement,
- Approve the outsourcing arrangement subject to resolution of follow-up items,
- Approve the outsourcing arrangement subjection to limitations and / or conditions,
- Require the proposal to be re-submitted after additional working,

- Decline the outsourcing arrangement.

14. Management & Evaluation of Risks

The various risks involved in Outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counter party Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systemic Risk.

To overcome such risks it becomes necessary to have in place-

- Policy Guidelines on availing outsourcing activities;
- Adequate mechanisms to ensure effective oversight on the operations;
- Alternate plan to switchover in case of abrupt discontinuation of services;
- Guidelines to claim compensation of penalty for the same, which should be properly defined in the Service Level Agreement (SLA); the Company should, wherever required, take a performance guarantee and insist on inclusion of penalty clauses in the SLA.

The key risks in outsourcing that need to be evaluated by SFSPL are:

Risk Type	Key Risk	Control Standards
Strategic Risk	Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the NBFC	At the time of selection of the service provider the responsible department must do a thorough background check on the conduct of business of the service provider. The responsible department must document this explicitly and provide for the review to the finance department. The approval will be given as per the authority matrix for empanelment of the service provider only if the strategy of the service

		provider is in line with the 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	The responsible department must ensure that the service provider's staff is adequately trained about the NBFC's policies and guidelines. Any sort of negative publicity about the service provider must be brought to the notice of the compliance department for further assessment before onboarding the vendor or during the ongoing assessment of the vendor post onboarding.
Compliance Risk	Where privacy, consumer and prudential laws are not adequately complied with by the service provider	The responsible department must evaluate if the service provider has complied with all the prudential laws applicable to it.
Operational Risk	Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies	The empanelment of the service provider must be done as per the already set Siemens policies and the responsible department must provide all the relevant information and genuine documents to the finance department. The final decision to empanel the service provider must be completed as per the authority matrix.
Legal Risk	Where the NBFC is subjected to fines, penalties, or punitive damages resulting from	The responsible departments must use the already approved template documents provided

	supervisory actions, as well as private settlements due to omissions and commissions of the service provider	by the legal team. In case of any changes in the terms of the standard outsourcing agreement, approval of the legal team must be obtained before execution of the documents with the vendor.
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	The responsible department along with the Management must arrive at the decision of empaneling such vendors considering back-up strategies and options available in case of exit of the existing vendor ensuring smooth business function which might include conducting the outsourced activities in-house or readily available other vendors.
Counter party Risk	Where there is inappropriate underwriting or credit assessments	The responsible department must ensure that credit assessments and ratings of the vendors are good enough for the NBFC to take the decision on empanelment.
Contractual Risk	Where the NBFC may not have the ability to enforce the contract	The outsourcing agreement template finalized by the legal team shall be executed in case of all outsourcing vendors. Any changes in the same shall have to be highlighted to the legal team for their approval in advance to ensure enforceability of the outsourcing agreement.

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	The responsible department must ensure that all material processes are not outsourced to the same service provider and business operations will not be affected even if one service provider is unable to provide the services.
Country Risk	Due to the political, social or legal climate creating added risk.	It has to be ensured by the respective departments along with the compliance team to ensure that the regulations being rolled out by the Govt. of India / other jurisdictional regulations does not pose any political/social/legal risks arising out of the outsourced services and vendors.

15. Exercising Due Diligence - Evaluating the capability of the Service Provider

- During the process of negotiating/considering/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, operational and reputational factors.
- The Company shall consider whether the service providers' systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it.
- The Company shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider.
- Where possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

- Past experience and competence to implement and support proposed activities over the contractual period.
- Financial soundness and ability to service commitments even under adverse conditions.
- Business reputation and culture, compliance, complaints and outstanding or potential litigations.
- Security and internal control and monitoring environment, business continuity management.
- External factors like political, economic, social, and legal environment of jurisdiction in which the service provider operates and other events that may impact service Performance.

Due diligence shall involve an evaluation of all available information about the service provider, including but not limited to the afore-mentioned points.

16. The Outsourcing Agreement

The terms and conditions governing the contract between SFSPL and the service provider shall be carefully defined in written agreements and vetted by the Company's legal counsel 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 Company 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 - i.e. whether agent, principal or otherwise.

The basic ingredients of the agreement would be:

- i.** the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- ii.** 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;
- iii.** 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;
- iv.** a termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;

v. 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;

vi. there must be contingency plans to ensure business continuity;

vii. 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;

viii. 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;

ix. outsourcing agreements shall include 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;

x. outsourcing agreement shall also include a clause to recognize the right of the Reserve Bank to cause an inspection to be made of a service provider of the Company and its books and account by one or more of its officers or employees or other persons;

xi. the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated; and

xii. the Company shall have 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.

17. Confidentiality and Security

While availing outsourcing facility, it should be ensured that:

- Confidentiality and security of customer information should not be jeopardized;
- Only need basis access of customer information should be given to authorized staff of the service provider;
- The service provider is able to isolate and clearly identify SFSPL's customer information, documents, records and assets to protect the confidentiality of the information. In cases,

where service provider acts as an outsourcing agent for multiple NBFCs, care shall be taken to build strong safeguards so that there is no comingling of information / documents, records and assets;

- There is a system in place to monitor and review the security practices and control process of the service provider on a regular basis.
- The RBI must be notified/ advised in the event of any breach of security and leakage of confidential customer related information. In such eventualities, the Company would be liable to its customers for any damages.

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

While outsourcing services to DSA's/DMA's/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 Company shall put in place a board approved Code of conduct for DSA/ DMA/ Recovery Agents, and obtain their undertaking to abide by the code.
- the Recovery Agents shall adhere to extant instructions of the Fair Practices Code of SFSP as also their own code for collection of dues and repossession of security.
- the Recovery Agents refrain from action that could damage the integrity and reputation of the NBFC and that they observe strict customer confidentiality.
- the appointed 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.

19. Business Continuity and Management of Disaster Recovery Plan

- It should be ensured that the service provider is able to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. The Company has to ensure that the service provider periodically tests the Business Continuity and Recovery Plan and may also consider occasional joint testing and recovery exercises with its service provider.
- In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, the Company shall retain an appropriate level of control over their outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the Company and its services to the customers.
- In establishing a viable contingency plan, the Company shall consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in an emergency and the costs, time and resources that would be involved.
- Outsourcing often leads to the sharing of facilities operated by the service provider. SFSPL shall ensure that service providers are able to isolate our Company's information, documents and records, and other assets. This is to ensure that in appropriate situations, all documents, records of transactions and information given to the service provider, and assets of SFSPL, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

20. Monitoring and Control of Outsourced Activities

- The Company shall put in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities. Hence, the department outsourcing a particular activity should put in place a system for monitoring and control of that activity and should duly document the same.
- 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 evidence of half yearly reviews conducted shall be placed before the Board / Risk Management Committee for their consideration and adoption as they deem fit.

- Regular audits by either the internal auditors or external auditors of SFSPL shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, SFSPL's compliance with its risk management framework and the requirements of these directions.
- The Company shall, on an 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.
- In the event of termination of the outsourcing agreement for any reason in cases where the service provider deals with the customers, the same shall be publicized by displaying at a prominent place in the branch, posting it on the web-site, and informing the customers so as to ensure that the customers do not continue to deal with the service provider.
- Outsourcing of any activity by the Company does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. The Company shall take steps to ensure that the service provider employs the same high standard of care in performing the services as would be employed by the Company itself, if the activities were conducted by the Company and not outsourced. The Company shall not result in outsourcing that would result in our internal control, business conduct of reputation being compromised or weakened. However it may not be necessary for the Company to have a representative on the Board/Committee of the outsourced agency.
- The Company shall ensure that reconciliation of transactions between SFSPL and the service provider (and/ or its sub-contractor), are carried out in a timely manner in cases where the outsourcing activity might involve reconciliation of transactions between SFSPL, the service provider and its sub-contractors, if any. An ageing analysis of entries pending reconciliation with outsourced vendors shall be placed before the Audit Committee of the Board (ACB) and NBFCs shall make efforts to reduce the old outstanding items therein at the earliest.
- A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the ACB of the Company.

21. Half-yearly Review Process

The Compliance team shall obtain a list of Vendors from the Accounting team as of 30th June and 31st December for the half-yearly review exercise.

Each and every vendor would then be evaluated in the below order:

1. Whether they qualify as an Outsourced arrangement or not as per the RBI regulations.
2. The vendors classified as Outsourcing arrangements would further be evaluated whether they would be material / non-material Outsourcing as per the RBI regulations.
3. An Argus screening shall be conducted of all vendors who are classified as Outsourced arrangements irrespective of their materiality.

Those vendors which are classified as material Outsourcing arrangements would be reviewed by the Compliance Department based on the following parameters in addition to evaluating their financial and operational conditions. It is to be noted that the feedback from the responsible departments availing the material outsourcing services and Accounting team shall be considered by the Compliance team during the review exercise. Based on the risk-based approach, the Compliance team may have a direct contact with the vendor, if necessary:

- Past breaches of performance standards, confidentiality and security and business continuity preparedness, if any,
- Business practices and process,
- Mis-selling and fraud,
- Compliance with vendor code of conduct,
- Compliance with applicable laws and regulations,
- Feedback report on the vendor needs to be maintained and stored with the respective business departments utilizing their services.
- The half-yearly review conducted shall be stored with the Compliance team

The half yearly and annual review reports of all the Material Outsourcing Arrangements shall be placed before the Risk Management Committee (RMC) for their noting and approval.

22. Redress of Grievances related to Outsourced Services

SFSPL has an established complaints and grievance mechanism. The Company also displays the following information prominently, for the benefit of its customers, on its website:

- i. The name and contact details (Telephone / Mobile nos. and email address) of the Regional Grievance Redressal Officer and Nodal Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company. The Regional

Sales Head has been appointed to act as the Regional Grievance Redressal Officer and is responsible to address the Complaints of the Customers.

- ii. If the complaint / dispute is not redressed within a period of 15 days from the date of receipt of Complaint by the Regional Grievance Redressal Officer, the customer may approach the Nodal Grievance Redressal Officer of SFSPL. Mr. Devendra Malegaonkar, has been appointed as the Nodal Grievance Redressal Officer.
- iii. If the complaint / dispute is not redressed within a period of 15 days from the date of receipt of Complaint by the Nodal Grievance Redressal Officer, the Customer may appeal to the Officer-in-Charge of the Regional Office of Department of Non-Banking Supervision (DNBS) of Reserve Bank of India, Department of Non- Banking Supervision, Mumbai Regional Office, 2nd Floor, Central Office, Centre I, World Trade Centre, Cuffe Parade, Colaba, Mumbai - 400 005, under whose jurisdiction the registered office of the NBFC falls.

Customers can also contact the Company at the details mentioned below:

Compliance Officer
Siemens Financial Services Private Limited
Level 21, Birla Aurora Towers, Plot No. 1080,
Dr. Annie Besant Road, Worli, Mumbai - 400 030

Tel: +91 22 6251 7000 / 2191

Fax: +91 22 2436 2404

Email: sfs.compliance.in@siemens.com

The above designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that the Company's Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.

Generally, a time limit of 30 days may be given to the customers for preferring their complaints/ grievances. The grievance redressal procedure of the Company and the time frame fixed for responding to the complaints has been placed on the Company's website.

23. Reporting of transactions to FIU or other competent authorities

SFSPL would be responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU or any other competent authority in respect of SFSPL's customer related activities carried out by the service providers.

24. Outsourcing within a Group/ Conglomerate

- The Company does have back-office and service arrangements/ agreements with group entities e.g. sharing of premises, legal and other professional services, hardware and software applications, centralize back-office functions, outsourcing certain financial services to other group entities, etc. Before entering into such arrangements with group entities, the Company shall have a Board approved policy and also service level agreements/ arrangements with their group entities, which shall also cover demarcation of sharing resources i.e. premises, personnel, etc. The customers shall be informed specifically about the company which is actually offering the product/ service, wherever there are multiple group entities involved or any cross selling observed.

- While entering into such arrangements, the Company shall ensure that these:
 - a. are appropriately documented in written agreements with 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 from being able to obtain information required for the supervision of the Company or pertaining to the group as a whole; and
 - e. incorporate a clause under the written agreements that there is a clear obligation for any service provider to comply with directions given by the RBI in relation to the activities of the Company.

- The Company shall ensure that their ability to carry out their operations in a sound fashion would not be affected if premises or other services (such as IT systems, support staff) provided by the group entities become unavailable.
- If the premises of the NBFC are shared with the group entities for the purpose of cross-selling, NBFCs shall take measures to ensure that the entity's identification is distinctly visible and clear to the customers. The marketing brochure used by the group entity and verbal communication by its staff / agent in the NBFCs premises shall mention nature of arrangement of the entity with the NBFC so that the customers are clear on the seller of the product.
- The Company shall not publish any advertisement or enter into any agreement stating or suggesting or giving tacit impression that they are in any way responsible for the obligations of its group entities.
- The risk management practices expected to be adopted by the Company while outsourcing to a related party (i.e. party within the Group / Conglomerate) would be identical to those in line with the risk management practices adopted for unrelated service providers.

25. Off-shore Outsourcing of Financial Services

The engagement of service providers in a foreign country exposes an NBFC to country risk - economic, social and political conditions and events in a foreign country that may adversely affect the NBFC. Such conditions and events could prevent the service provider from carrying out the terms of its agreement with the NBFC. To manage the country risk involved in such outsourcing activities, SFSPL shall take into account and closely monitor government policies and political, social, economic and legal conditions in countries where the service provider is based, both during the risk assessment process and on a continuous basis, and establish sound procedures for dealing with country risk problems. This includes having appropriate contingency and exit strategies. In principle, arrangements shall only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement shall also be clearly specified.

The activities outsourced outside India shall be conducted in a manner so as not to hinder efforts to supervise or reconstruct the India activities the Company in a timely manner.

As regards the off-shore outsourcing of financial services relating to Indian Operations, SFSP shall additionally ensure that:

- a) Where the off-shore service provider is a regulated entity, the relevant off-shore regulator will neither obstruct the arrangement nor object to RBI inspection visits/ visits of the Company's internal and external auditors;
- b) The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or of the Company in India;
- c) The regulatory authority of the offshore location does not have access to the data relating to Indian operations of the Company simply on the ground that the processing is being undertaken there (not applicable if off shore processing is done in the home country of the Company);
- d) The jurisdiction of the courts in the off shore location where data is maintained does not extend to the operations of the Company in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India and;
- e) All original records continue to be maintained in India.

Annexure 1: Materiality Assessment Template

Name of the activity:

Description of the Activity:

Proposer of Outsourcing Arrangement:

Date of Assessment:

Sr. No	Criteria	Yes/No	Rationale
1	Will the outsourcing activity require the service provider to face the customer on behalf of SFSPL?		
2	Will the activity require the service provider to handle customer(s) financial instruments/contract documents directly on behalf of SFSPL?		
3	Is the service provider the only customer contact for the particular activity?		
4	Are there any specific regulatory guidelines required to be followed for this activity other than the RBI guidelines on Outsourcing?		
5	Does the activity require SFSPL to share customer information with the outsourced service provider or whether it impacts on data privacy/security norms?		
6	Are there any adverse comments made by RBI or other regulators in their last inspection/audit on performing this activity?		
7	Will the failure of the service provider to perform this activity directly affect the income of SFSPL?		

8	Will the outsourcing of this activity have an adverse impact on the funding business by SFSPL?		
9	Cost of outsourcing of this activity (annualized) – value of the contract, fees to be paid to the outsourced agency, etc.		
10	Is there only a particular service provider available for this activity? Or are other options available which can be onboarded on short notice?		
11	Will the failure or inadequate performance of the service provider impact the brand value/ reputation of SFSPL?		
12	Any adverse national level media reports or any financial sector regulator against the activity?		
13	Will the failure or inadequate performance by the service provider have a material impact on SFSPL?		
14	Classification of this vendor as Material/Non-Material		