

AKARA CAPITAL ADVISORS PVT LTD

OUTSOURCING POLICY

1.1 'Outsourcing' is defined as the AKARA use services of a third party (either an affiliated entity within a corporate group (EQX Analytics Pvt Ltd) or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the AKARA itself, now or in the future.

'Continuing basis' includes agreements for a limited period.

1.2 Akara may outsource various activities and are hence exposed to various risks. Further, the outsourced activities are to be brought within regulatory purview to a) protect the interest of the customers of Akara and b) to ensure access to all relevant books, records and information available with service provider. Outsourced financial services include applications processing (loan origination, credit line card), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others.

1.3 Some key risks in outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access 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 to Akara and could also lead to systemic risks.

1.4 Akara to ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities.

1.5 (i) This policy is with managing risks in outsourcing of financial services and are not applicable to technology-related issues and activities 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.

2. Activities that shall not be outsourced

Akara cannot outsource core management functions including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening deposit accounts, according sanction for loans (including retail loans) and management of investment portfolio. However, EQX Analytics Pvt Limited being a group company is permitted.

Regulatory and Supervisory Activities

3.1 Senior management, will have the responsibility for the outsourced activity. AKara is ultimately 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. Akara shall retain ultimate control of the outsourced activity and take steps to minimize risk.

3.2 When performing its due diligence in relation to outsourcing, to consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.

4.3 Outsourcing arrangements shall not affect the rights of a customer against the Akara 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 the Akara.

4.4 The service provider shall not impede or interfere overseeing and managing its activities nor shall it impede the Reserve Bank of India in carrying out its supervisory functions and objectives.

4.5 Akara to have grievance redress mechanism, which in no way shall be compromised on account of outsourcing.

4.6 The service provider, if not a group company of the AKARA, shall not be owned or controlled by any director of the AKARA or their relatives; these terms have the same meaning as assigned under Companies Act, 2013.

5 Evaluation of the Risks

The Akara shall evaluate and guard against the following risks in outsourcing:

- i. Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of AKARA.
- ii. Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of AKARA.
- iii. Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.
- iv. Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.
- v. Legal Risk – Where AKARA 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.
- vi. Exit Strategy Risk – Where AKARA is over-reliant on one firm, the loss of relevant skills in AKARA itself preventing it from bringing the activity back in-house and where AKARA has entered into contracts that make speedy exits prohibitively expensive.
- vii. Counter party Risk – Where there is inappropriate underwriting or credit assessments.
- viii. Contractual Risk – Where AKARA may not have the ability to enforce the contract.

- ix. Concentration and Systemic Risk – Where the overall industry has considerable exposure to one service provider and hence AKARA may lack control over the service provider.
- x. Country Risk – Due to the political, social or legal climate creating added risk.

6 Evaluating the Capability of the 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, operational and reputational factors. AKARA 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. AKARA 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 AKARA shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

Due diligence shall involve an evaluation of all available information about the service provider, including but not limited to the following:

- i. past experience and competence to implement and support the proposed activity over the contracted period;
- ii. financial soundness and ability to service commitments even under adverse conditions;
- iii. business reputation and culture, compliance, complaints and outstanding or potential litigation;
- iv. security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- v. ensuring due diligence by service provider of its employees.

7. The Outsourcing Agreement

The terms and conditions governing the contract between the AKARA and the service provider shall be carefully defined in written agreements and vetted by AKARA'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 AKARA 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. Some of the key provisions of the contract shall be the following:

i. the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
ii. the AKARA 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 AKARA 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 AKARA of the use of

subcontractors by the service provider for all or part of an outsourced activity;
viii. it shall provide the AKARA 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 AKARA;

ix. outsourcing agreements shall include clauses to allow the Reserve Bank of India or persons authorised by it to access the AKARA'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 recognise the right of the Reserve Bank to cause an inspection to be made of a service provider of an AKARA 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 AKARA 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.

8. Confidentiality and Security

1 Public confidence and customer trust in the AKARA is a prerequisite for the stability and reputation of the AKARA. Hence the AKARA 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.

2 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.

3 The AKARA shall ensure that the service provider is able to isolate and clearly identify the AKARA's customer information, documents, records and assets to protect the confidentiality of the information. In instances, where service provider acts as an outsourcing agent for multiple AKARAs, care shall be taken to build strong safeguards so that there is no comingling of information / documents, records and assets.

4 The AKARA shall review and monitor the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches.

5 The AKARA shall immediately notify RBI in the event of any breach of security and leakage of confidential customer related information. In these eventualities, the AKARA would be liable to its customers for any damages.

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

1 AKARA 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.

2 The AKARA 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.

10 Business Continuity and Management of Disaster Recovery Plan

1 An AKARA shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. AKARAs need 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.

2 In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, AKARAs 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 AKARA and its services to the customers.

3 In establishing a viable contingency plan, AKARAs 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.

4 Outsourcing often leads to the sharing of facilities operated by the service provider.

The AKARA shall ensure that service providers are able to isolate the AKARA'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 the AKARA, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

11 Monitoring and Control of Outsourced Activities

1 The AKARA shall have 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.

2 A central record of all material outsourcing that is readily accessible for review by the Board and senior management of the AKARA shall be maintained.

3 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.

12 Redress of Grievances related to Outsourced Services

At the operational level, all AKARAs shall display the name and contact details (Telephone/ Mobile nos. as also email address) of the Grievance Redressal Officer prominently where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that AKARAs' Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.

ii. Generally, a time limit of 7 days may be given to the customers for preferring their complaints/ grievances. The grievance redressal procedure of the AKARA and the time frame fixed for responding to the complaints shall be placed on the AKARA's website.

13 Reporting of transactions to FIU or other competent authorities

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

14 . Outsourcing within a Group/ Conglomerate

1 In a group structure, AKARAs may 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, AKARAs 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. Moreover 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.

2 While entering into such arrangements, AKARAs 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 AKARA and those of its other group entities are undertaken;
- c. do not compromise the ability to identify and manage risk of the AKARA on a stand-alone basis;
- d. do not prevent the RBI from being able to obtain information required for the supervision of the AKARA 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 AKARA.

3 AKARA 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.

4 If the premises of the AKARA are shared with the group entities for the purpose of cross-selling, AKARAs 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 AKARAs premises shall mention nature of arrangement of the entity with the AKARA so that the customers are clear on the seller of the product.

5 AKARAs 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.