

**OUTSOURCING POLICY**

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## 1. INTRODUCTION

Outsourcing brings in its wake, several risks viz strategic risk, reputation risk, compliance risk, operational risk, legal risk. The failure of the service provider in providing a specific service, breach in confidentiality, or non-compliance with the regulatory requirements by either the service provider or the outsourcing NBFC, can lead to financial losses or loss of reputation and could lead to systemic risk. NBFCs to effectively manage these risks, the Reserve Bank of India had on November 09, 2017 issued directions on managing risks and code of conduct in outsourcing of financial services by NBFCs. The underlying principles behind these directions are that NBFC should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and RBI nor impede effective supervision by RBI. NBFCs, therefore, have to take steps to ensure that the service provider employs the same high standard of care in performing services as would have employed by the NBFCs, the activities were conducted within NBFCs and not outsourced.

In view of these directions NBFCs are required to put in place a comprehensive outsourcing policy, which incorporates, inter alia, criteria for selection of outsourced 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.

## 2. SCOPE

This policy applies to all departments and functions of Tenmark Capital Pvt Ltd that engage in outsourcing activities related to loans. It excludes non-financial services such as courier services, housekeeping, and security.

Tenmark Capital Private Limited ("the Company" / "NBFC") outsources certain activities to external vendors. The major activities to be outsourced to vendors are:

- a) Channel partners for sourcing of customers
- b) Collection and Recovery
- c) Technology related services
- d) Any other related services

## 3. ACTIVITIES PROHIBITED FROM OUTSOURCING

Tenmark Capital Pvt Ltd shall not outsource the following core management functions:



- Internal audit function and Gold appraisal process
- Strategic and compliance functions
- Decision-making functions, including:
  - Compliance with Know Your Customer (KYC) and AML norms
  - Sanctioning of gold loans and personal loans
  - Management of gold valuation, storage and risk assessment
  - Management of Investment portfolio

These functions may not be outsourced even within the group and be subject to compliance with relevant regulations.

#### **4. MATERIAL OUTSOURCING**

Material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact Tenmark Capital Pvt Ltd's business operations, reputation, profitability, or customer service. The materiality of outsourcing is determined based on:

- The importance of the activity to Tenmark Capital Pvt Ltd
- The significance of the risk posed by the outsourcing arrangement

#### **5. RISK MANAGEMENT AND DUE DILIGENCE**

Prior to entering into any outsourcing arrangement, Tenmark Capital Pvt Ltd shall:

- Conduct thorough due diligence on the service provider, assessing:
  - Financial stability -
  - Reputation
  - Technical capabilities
  - Adherence to applicable laws and regulations
- Ensure that the service provider employs the same high standard of care in performing the services as would be employed by Tenmark Capital Pvt Ltd if the activities were conducted internally.



Particulars	Material Outsourcing Functions	Non Material Outsourcing functions
<b>Due Diligence</b>	Vendor Registration Form to be updated and provide: <ul style="list-style-type: none"> <li>● PAN</li> <li>● GST Certificate</li> <li>● MSME Certificate</li> </ul>	Vendor Registration Form to be updated and provide: <ul style="list-style-type: none"> <li>● PAN</li> <li>● GST Certificate</li> <li>MSME Certificate</li> </ul>
<b>Financial Stability</b>	Net worth Certificate	Not Applicable
<b>Reputation</b>	No Legal cases at any courts in India	No Legal cases at any courts in India
<b>Technical Capabilities</b>	Undertaking from the Vendor on Technical Capabilities along with Testimonials	Technical Capabilities along with Testimonials
<b>Adherence to laws and regulations</b>	Undertaking from the Vendor that they have not breached any laws and regulations of India	Undertaking from the Vendor that they have not breached any laws and regulations of India

## 6. OUTSOURCING AGREEMENT

All outsourcing arrangements must be governed by a legally binding agreement that clearly defines:

- **Rights and Obligations:** The agreement should outline the responsibilities of both parties, including service levels, timelines, reporting structures, information security and compliance requirements.
- **Confidentiality and Security Requirements:** The service provider must implement strict measures to protect customer information, ensuring compliance with data protection laws. Unauthorized disclosure of sensitive data shall result in penalties and potential termination of the agreement.
- **Liabilities and indemnities:** The agreement with the outsourced service provider should adequately specify the liabilities of the service provider in provision of the outsourced service. The agreement should also document the necessary indemnities to the Company, the Directors

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and its Officers under various circumstances that may arise on account of the services rendered by the outsourced service provider.

- **Termination Clauses:** The agreement should specify conditions under which the contract may be terminated, including but not limited to:
  - Breach of contract terms by the service provider
  - Financial insolvency or bankruptcy of the service provider
  - Non-compliance with regulatory requirements
  - Data security breaches or unauthorized sharing of customer information
  - Repeated failure to meet agreed service levels
- **Dispute Resolution Mechanisms:** In the event of a dispute, the agreement should outline:
  - A step-by-step resolution process, starting with internal negotiation between designated representatives
  - Mediation or arbitration as per the Arbitration and Conciliation Act, 1996, if internal resolution fails
  - Jurisdiction and governing law for legal proceedings, specifying that disputes shall be settled under the applicable laws of India
- **Performance Monitoring and Compliance:** The service provider must agree to regular audits, reporting, and compliance checks conducted by Tenmark Capital Pvt Ltd or an external auditor.
- **Sharing of data with Regulators:** The entity shall ensure that data requested by any regulator pertaining to service provider shall be shared as deemed necessary.
- **Business Continuity and Disaster Recovery:** The agreement must ensure that the service provider has a robust business continuity plan and policy to prevent operational disruptions
- **Penalties for Non-Performance:** The agreement should outline penalties for failure to meet agreed service levels, including monetary fines, termination rights, and legal consequences.
- **Changes in Ownership:** The agreement would provide for the outsourced service provider to inform Tenmark Capital Private Limited of any changes to its ownership structure during the course of engagement. Any change in ownership shall be reassessed by the Company against the parameters set for the outsourced vendor being onboarded for the first time.

The agreement should also include provisions for continuous monitoring and control to ensure compliance with the terms.



All vendors and channel partners (including employees and associates) would be required to abide by the Company's fair practices code and any specific code of conduct which may be rolled out from time to time.

## **7. MONITORING AND CONTROL**

Tenmark Capital Pvt Ltd shall establish a robust monitoring framework to:

- Regularly review the performance of service providers
  - Ensure compliance with the outsourcing agreement
  - Assess the impact of the outsourcing arrangement on Tenmark Capital Pvt Ltd's risk profile
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- i. The Company 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.
  - ii. 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 half yearly reviews shall be placed before the Board .
  - iii. Regular audits by either the internal auditors or external auditors of the Company shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the Company's compliance with its risk management framework and the requirements of these directions.
  - iv. The Company shall at least 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.
  - v. 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.
  - vi. Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between the Company, the service provider and its sub-contractors. In such cases, Company shall ensure that reconciliation of transactions between the Company and the service provider (and/ or its sub-contractor), are carried out in a timely manner. An

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ageing analysis of entries pending reconciliation with outsourced vendors shall be placed before the Board and the Company shall make efforts to reduce the old outstanding items therein at the earliest.

- vii. A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the Board.

## **8. CONFIDENTIALITY AND SECURITY**

Tenmark Capital Pvt Ltd considers public confidence and customer trust to be of utmost importance. The Company shall impress upon the outsourced service provider that adequate measures / controls to protect the confidentiality and security of customer information, particularly with respect to gold loan collateral details, loans and personal data be implemented.

Access to sensitive data should be on a need-to-know basis and shall be restricted to authorized personnel only, and appropriate safeguards must be in place to prevent unauthorized disclosure.

Third party access to Customer information other than KYC related information shall be governed by the privacy policy of the Company. The Company may require the outsourced service provider to get the security and systems to be audited by an independent third party and submit the report to the Company, on an agreed frequency basis.

## **9. BUSINESS CONTINUITY AND MANAGEMENT OF DISASTER RECOVERY PLAN**

- i. The Company shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. The Company shall 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.
- ii. 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.
- iii. 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.
- iv. Outsourcing often leads to the sharing of facilities operated by the service provider. The Company shall ensure that service providers are able to isolate the 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 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.

#### **10. OUTSOURCING WITHIN A GROUP/ CONGLOMERATE**

- i. In a group structure, Company may have back-office and service arrangements/ agreements with group entities, to the extent permissible under the regulations, directions and conditions of RBI, 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.
- ii. 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. 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.
- iii. While entering into such arrangements, the Company shall ensure that these:
  - a. Arrangements 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. Such arrangement does 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. 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;
  - d. 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;
  - e. If the premises of the Company are shared with the group entities for the purpose of cross-selling, The Company shall take measures to ensure that the Company'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 Company premises shall mention nature of arrangement of the entity with the Company so that the customers are clear on the seller of the product.

- f. 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.

## 11. GRIEVANCE REDRESSAL

Tenmark Capital Pvt Ltd has put in place a grievance redressal mechanism to address customer complaints related to outsourced services. This mechanism shall be well-publicized and efficient in resolving issues promptly.

## 12. RISKS & CONTROLS

Company should evaluate and guard against strategic risk, compliance risk, reputation risk, operation risk etc while outsourcing any activities through internal control processes. An indicative list of Risk and controls is defined below:

Sr. No	Expected Risk	Controls
1	Compromise by vendor / channel partner with customer resulting in financial / non - financial loss to the Company	Proper reference checks of vendor / channel partner prior to appointment
2	Leakage of internal information/ policies of the Company	Controlled / Limited access to Internal systems/ documents and email domain of the Company. Access to information is restricted only on a need to know basis.
3	Customer service issues and likely reputation risk associated	Mechanism for handling complaints / grievances
4	Discrepancies in services / reports submitted by vendor	Random/Sample checks on vendor reports. Appropriate action to be taken based on severity of event.
5	Incorrect / Inflated bills submitted by vendor	Vetting of bills by Branch/ Hub and cross-vetting by Functional Head

**13. REGULATORY AND SUPERVISORY REQUIREMENTS**

Tenmark Capital Pvt Ltd shall ensure that outsourcing arrangements do not impede the Reserve Bank of India's ability to supervise the company. All records and information related to the outsourced activities must be made available to the RBI upon request.

**14. REVIEW OF POLICY**

This policy shall be reviewed periodically, at least annually, to ensure its continued relevance and alignment with regulatory requirements and Tenmark Capital Pvt Ltd's operational needs.

