

QRG Investments and Holdings Limited
Outsourcing Policy
Version 2.0
Internal



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1. Introduction

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

QRG IHL has been outsourcing various activities and hence are exposed to various risks. Therefore, the outsourced activities are to be brought within the regulatory purview in order to a) protect the interest of the customers of QRG IHL and b) to ensure that the QRG IHL and the Reserve Bank of India have access to all relevant books, records and information available with the service provider.

The failure of a service provider, 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 the QRG IHL and could also lead to systemic risks.

QRG IHL 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.

This policy is concerned with the management of risks associated with outsourcing of financial activities, and not applicable to technology-related issues and activities that are unrelated to the 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. Role and Responsibilities of the Outsourcing Committee

The ALCO shall also act as Outsourcing Committee for all approvals/day-to-day decision making, shall be responsible for the following:

- a. Evaluating the risks associated with the existing and prospective outsourcing of activities
- b. Deciding on the materiality of the activity that require outsourcing, and approving such arrangements
- c. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness
- d. Evaluating capability of the service providers

- e. Monitoring of outsourced activities and ensuring that contingency plans based on realistic and probable disruptive scenarios are in place and tested
- f. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise

3. Evaluating capability of the service provider

The Outsourcing Committee (ALCO) shall be responsible for the selection of the service provider(s) to outsource the activity.

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 stipulated in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors of the service provider. Where possible, independent reviews and market feedback on the service provider shall be obtained 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:

- a. past experience and competence to implement and support the proposed activity over the contract period
- b. financial soundness and ability to service the commitments even under adverse conditions
- c. business reputation and culture, compliance, complaints and outstanding or potential litigation
- d. security and internal control, audit coverage, reporting and monitoring environment, business continuity management

4. Monitoring of Outsourced Activities

The Outsourcing Committee (ALCO) shall

- a. Have in place a management structure to monitor and control its outsourced activities. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities
- b. On an annual basis, review the financial and operational conditions 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 the performance standards, confidentiality and security, and in business continuity preparedness.

5. Outsourcing Agreement

The terms and conditions governing the contract between the QRG IHL and the service providers shall be carefully defined in written agreements and vetted by Company's legal counsel. 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 following are some of the key provisions to be enshrined in the contract:

- a. the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards
- b. ability to access all books, records and information relevant to the outsourced activity available with the service provider
- c. a termination clause and minimum period to execute a termination provision
- d. controls to ensure data confidentiality and service providers' liability in case of breach of security and leakage of confidential information
- e. there must be contingency plans to ensure business continuity
- f. it shall provide QRG IHL with the right to conduct audits on the service provider whether by its internal or external auditors
- g. the outsourcing agreement shall also provide that confidentiality of information shall be maintained even after the contract expires or gets terminated
- h. necessary provisions to ensure that the service provider preserves documents as required by law

6. Document Management

- a. This updated policy is effective from the date of approval of the Board. This policy will be reviewed every two years.
- b. Any amendment to this procedure or issue of any guidance or circular etc. under this procedure has to be incorporated in the policy on an ongoing basis by Shri Ramesh Kumar Sharma.
- c. The Company is committed to continuously reviewing and updating policies and procedures- based on the Company's risk assessment and incorporating any regulatory requirement as maybe required.
- d. Any amendment to this procedure or issue of any guidance or circular etc. under this procedure has to be approved in writing by the approving authority.
- e. The Company reserves the right to withdraw, modify or revise the policy without providing of any justification for the same. Any revision / modification to the policy

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shall be communicated to all stakeholders of the company.

- f. If compliance with the policy ever conflicts with the applicable law, regulation and directives issued by the statutory and or regulatory authority, then such law, regulation and directives as may be applicable will take precedence over this policy.

7. Disclaimer

- a. This policy issued by the Company is for internal compliance and does not create, nor shall it be construed to create, directly or implicitly, any rights, duties or obligations of the Company to any person, body or legal entity.
- b. The release of this document to any third party outside QRG IHL is strictly prohibited without prior consent of the competent authority.
