

**DEEVEE COMMERCIALS  
LIMITED**

**Information Technology Services  
Outsourcing Policy**

## 1. Introduction

1. Outsourcing of IT related business process can provide an NBFC the opportunity to realise valuable strategic and economic benefits. However, prior to commencement of any outsourcing arrangement, careful consideration of risks, threats of contractual arrangements and regulatory compliance obligations must take place. Companies usually outsource their IT related business process to a third party vendor because of higher efficiency, inadequate resources and lack of specialized knowledge. The NBFC's decision to outsource IT Services should fit into the institution's overall strategic plan and corporate objectives.
2. Further, the Reserve Bank of India vide its Master Direction - Information Technology Framework for the NBFC Sector requires all Non-Banking Financial Companies (NBFC) to devise proper checks and controls in order to outsource Information Technology Services as approved by the Board of Directors of the company.

## 2. Implementation of the IT Services Outsourcing Policy

1. The terms and conditions governing the contract between the NBFC and the Outsourcing service provider should be carefully defined in written agreements and vetted by NBFC's legal counsel on their legal effect and enforceability. The following needs to be included in the contractual agreement:
  - a. **Monitoring and Oversight**

It should provide for continuous monitoring and assessment by the NBFC of the service provider so that any necessary corrective measure can be taken immediately. Outsourcing service provider should have adequate systems and procedures in place to ensure protection of data/application outsourced.
  - b. **Access to books and records/ Audit and Inspection**

This would include:

    - i. Ensuring that the NBFC has the ability to access all books, records and information relevant to the outsourced activity available with the service provider. For technology outsourcing, requisite audit trails and logs for administrative activities should be retained and accessible to the NBFC based on approved requests.
    - ii. Providing the NBFC with the right to conduct audits on the service provider whether by its internal or external auditors, or by external specialists 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 NBFC.
    - iii. The contractual agreement may include clauses to allow the Reserve Bank of India or persons authorized by it to access the NBFC's



documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time. This includes information maintained in paper and electronic formats.

### **3. Roles and responsibilities of the Board and IT Strategy Committee**

1. The Board and senior management are ultimately responsible for 'outsourcing operations' and for managing risks inherent in such outsourcing relationships.
2. The Board of Directors of NBFCs is responsible for effective due diligence, oversight and management of outsourcing and accountability for all outsourcing decisions. The Board and IT Strategy committee have the responsibility to institute an effective governance mechanism and risk management process for all IT outsourced operations.
3. The Role of IT Strategy committee in respect of outsourced operations shall include:
  - a. Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
  - b. Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
  - c. Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
  - d. Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
  - e. Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
  - f. Periodically reviewing the effectiveness of policies and procedures;
  - g. Communicating significant risks in outsourcing to the NBFC's Board on a periodic basis;
  - h. Ensuring an independent review and audit in accordance with approved policies and procedures;



- i. Ensuring that contingency plans have been developed and tested adequately;
- j. NBFC should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. NBFCs are expected to adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.

#### 4. Policy Review

The Policy shall be reviewed at such intervals, as may be decided by the Board.

