ALPHA ALTERNATIVES

Provincial Finance & Leasing Co Private Limited

Outsourcing Policy (including Group Outsourcing)

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I. Outsourcing

'Outsourcing' is defined as the NBFC'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 NBFC itself, now or in the future. 'Continuing basis' includes agreements for a limited period. 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 for the NBFC and could also lead to systemic risks.

Provincial Finance & Leasing Company Private Limited ["Provincial"] has formulated its policy on the underlying principles that it shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and RBI nor impede effective supervision by RBI. Provincial, therefore, has to take steps to ensure that the service provider employs the same high standard of care in performing the services as is expected to be employed by the NBFCs, if the activities were conducted within the NBFCs and not outsourced.

II. Policy Outlined

The outsourcing policy is outlined as follows:

1. Provincial shall not outsource core management functions including policy formulation, internal audit and compliance, compliance with KYC norms, credit sanction and management of investment portfolio. However, where required, experts, including former employees, could be hired on a contractual basis. Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function.

2. 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:

    a. the level of importance to Provincial of the activity being outsourced as well as the significance of the risk posed by the same;
    b. the potential impact of the outsourcing on Provincial on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
    c. the likely impact on Provincial's reputation and brand value, and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service;
    d. the cost of the outsourcing as a proportion of total operating costs of Provincial
    e. the aggregate exposure to that service provider, in cases where Provincial outsources various functions to the same service provider, and

f. the significance of activities outsourced in context of customer service and protection.

3. For material outsourcing agreements, the senior management will be responsible for evaluating risks and putting in place safeguards against such risks for each agreement. Interventions will be required at the due diligence, agreement drafting as well as the internal process levels

    a. Due diligence to be conducted on information obtained about the following, among others:

        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 controls, audit coverage, reporting and monitoring environment, business continuity management
        v. Ensuring due diligence by service provider of its employees.

    b. Agreement level safeguards to be put in place related to:

        i. Detail on activity(ies) to be outsourced
        ii. Clarity of relationship of service provider with Provincial to be established – agent, principal or otherwise
        iii. Detail on Termination outlining all reasons for terminating the agreement by either party including the process of termination and among others, process for seamless handover
        iv. Use of subcontractors to be allowed only if Provincial has same rights over the subcontractor via a direct agreement
        v. Provincial having access to inspect and audit service provider's workplace and data related to the agreement without notice
        vi. Reporting of cases handled and status of resolution to Provincial's satisfaction in form and periodicity
        vii. Detailed reporting on escalations, if any, made to Provincial on cases handled by the service provider
        viii. Adequate measures to ensure proper handling of "Provincial" and/or "Alpha Alternatives" name, trademark and brand, as applicable
        ix. Presence of disaster management, business continuity and data recovery processes in consonance with RBI guidelines
        x. Detailing on process chart and functional documents approved by Provincial
        xi. SLAs including TATs for each process
        xii. Escalation matrix within Service Provider's organization – separately each for Provincial and for the customer
        xiii. Confidentiality controls for customer and transaction data

xiv. Acknowledgement and acceptance by service provider of the right of RBI to conduct ad hoc audit of service provider's facilities, capabilities on outsourced processes and related data handling and control measures, among others.
xv. Direct selling/marketing agents and/or recovery agents being properly trained as per Provincial's requirements of propriety, care and sensitivity in dealing with customers as per the Fair Practices Code

c. Internal Process level safeguards to cover the following requirements, among others:

   i. Every process outsourced should have an option for the customer to escalate and seek redressal under the Grievance Redressal mechanism
   ii. Provincial to have 'live' access to data and if possible, the systems used for processing. In the event of disaster or business continuity issues at the service provider's end, Provincial should be able to access the data and work with it or assign it to another service provider.
   iii. The Compliance Officer will report to the Board on the periodic assessments of the Service Provider's effectiveness and efficiency as outlined in the outsourcing agreement
   iv. Outsourcing within group entities to have the same level of safeguards further included in the outsourcing agreement as defined in points 'a' and 'b' above. Furthermore, in the case of cross selling, the customer needs to be adequately informed by way of relevant text and branding that shows the principal entity providing the service or product vs. the outsourced entity that is only acting in its role to forward such offering to the customer.
   v. Outsourcing within group entities also requires clear demarcation on shared resources, i.e. people, processes and systems, being deployed for both the outsourcing entity and for the service provider

4. Outsourcing arrangements shall not affect the rights of a customer against Provincial, 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 Provincial, Provincial 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.