

OUTSOURCING POLICY

**Vistra ITCL (India) Limited
(SEBI Reg No. IND000000578)**

May 2023

This document has been prepared by Vistra ITCL (India) Limited. No part of this document may be reproduced or copied without prior written approval of the Vistra ITCL (India) Limited

INDEX

Article No.	Particulars	Page No
1	Introduction	
2	Applicability	
3	Definition	
4	Purpose of the policy	
5	Outsourcing of activities	
6	Outsourcing Arrangement	
7	Management of Risk	
8	Contingency and disaster recovery plan	
9	Confidentiality	
10	Reporting to FIU	
11	Record Keeping	
12	Deviation from Policy	
13	Review of the Policy	

(I) **Introduction**

This policy shall be known as Policy on Outsourcing (“Policy”)

Vistra ITCL (India) Limited (Vistra) is registered with Securities Exchange Board of India as a debenture trustee under registration number IND000000578.

Given the wide range of services offered by Vistra ITCL (India) Limited (“the **Company**”) and its commitment to maintain high professional standards, an effective policy on Outsourcing is critical to protect the interest of clients and, *inter alia* to ensure that standards of due diligence are not impaired by potent the Company is therefore required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage the Outsourcing of activities.

(II) **Applicability:**

- (1) This Policy shall be effective from April 01, 2022.
- (2) This Policy shall be applicable to all the activities which are proposed to be or are outsourced currently. The core business activities and compliance function of the company cannot be outsourced by the Company. Examples of core business activities, call for periodical status/performance reports from the issuer company, communicate promptly to the debenture holders defaults, if any with regard to payment of interest/maturity etc i.e the duties of the debenture trustees mentioned in the SEBI (Debenture Trustee) Regulation 1993
- (3) This Policy will be applicable for all existing or new contracts/agreements to be entered for the purpose of outsourcing of activities by the Company to any third party.

(III) **Definition:**

- a) “**Outsourcing**” may be defined as the use of one or more than one third party – either within or outside the group to perform the activities associated with services which the intermediary offers.
- b) “**Conflict of interest**” is a situation in which a debenture issuer to a transaction can potentially influence the independence due diligence process carried out by the advisor or expert appointed by the Debenture Trustee and such influence/actions can adversely affect the interest of the investors.
- c) “**debenture**” includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not;

- d) **“debenture trustee”** means a trustee registered with SEBI under SEBI (Debenture Trustees) Regulation 1993 and appointed for any issue of debentures by the Issuer Company.
- e) **“debenture issuer”** is a body corporate issuing the debentures.
- f) **“Management”** refers to head of the department.
- g) **“SEBI ”** means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- h) **“Third party(ies)”** refers to the organization/firm to whom the activity is outsourced, it may be an advisor or expert including a registered valuer, chartered accountant firm, company secretary firm, legal counsel and any other person appointed and has the power or authority to issue a certification in pursuance of any law for the time being in force;

(IV) Purpose of the policy:

This policy is in line with the requirements of SEBI circular dated 15th December 2011 on the **Guidelines on Outsourcing of Activities by Intermediaries dated 15th December 2011** (“**SEBI Guidelines**”) covering issues related to outsourcing of certain functions by the SEBI registered intermediaries / Debenture Trustee’s.

Securities and Exchange Board of India (SEBI) Regulations for various intermediaries require that the intermediaries shall render at all times high standards of service and exercise due diligence and ensure proper care in their operations. The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit strategy risk, counterparty risk, concentration and systemic risk. In order to address the concerns arising from the outsourcing of activities by intermediaries based on the principles advocated by the IOSCO (International Organization of Securities Commissions) and the experience of Indian markets, SEBI has issued circular no. CIR/MIRSD/24/2011 dated December 15, 2011 giving Guidelines on Outsourcing of Activities by Intermediaries.

This policy aims to lay out the guidance framework to be adopted by the Company and also the key procedural aspects to be adopted at the time of outsourcing of certain functions to the service providers and during the engagement of such service providers. The policy acts as a guide to assess whether and how activities can be appropriately outsourced.

(V) Outsourcing of activities

- a) Per the SEBI Guidelines, the intermediaries desirous of outsourcing their activities shall not, however, outsource their core business activities for example operations and compliance functions and the duties of the debenture trustees mentioned in the SEBI (Debenture

Trustee) Regulation 1993. In case of the regarding Know Your Client (KYC) requirements, the intermediaries shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and guidelines issued there under from time to time including

- b) An activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to monitor the business of the debenture issuers. The Board of Directors shall have the responsibility for the outsourcing policy and the Management of the Company (“**Management**”) shall have the overall responsibility for activities undertaken under that policy.
- c) The Management shall approve outsourcing of activities, and the selection of third party to whom it can be outsourced. The Management may delegate such functions to employee of the Company.

(VI) Outsourcing Arrangement

Outsourcing arrangements shall be governed by a clearly defined and legally binding written contract. Care should be taken to ensure that the outsourcing contract covers the following aspects:

- a) Activities to be outsourced, including appropriate service, performance levels and scope of work.
- b) Provides for mutual rights, obligations and responsibilities of the Company's Management and the third party, including indemnity by the parties.
- c) Provides for the liability of the third party to the Company for unsatisfactory performance/other breach of the contract;
- d) Provides for continuous monitoring and assessment by the Company of the third party so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable the intermediary to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations;
- e) Has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
- f) Provides for termination of the contract, termination rights, transfer of information and exit strategies;
- g) Neither prevents nor impedes the intermediary from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers;
- h) Provides for the intermediary and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party; and

(VII) Management of risks

1. Materiality of outsourced activity and limits on overall level of outsourced activities:

The management should consider the following aspects in assessing risks associated with Outsourcing:

- a) The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the Company and on the debenture issuers;
- b) Ability of the Company to cope up with the work, in case of non-performance or failure by a third party by having suitable back-up arrangements;
- c) Regulatory status of the third party, including its fitness and probity status;
- d) Situations involving conflict of interest between the Company and third party and measures put in place to address such potential conflicts, which can be regulated through a separate conflict policy;
- e) Whilst there are no prohibitions on a group entity / associate of the Company to act as the third party, however, process / systems should be put in place to ensure an arm's length distance between the Company and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests;
- f) The records relating to all activities outsourced should be preserved centrally. Such records will be regularly updated and may also form part of the corporate governance review by the management of the Company;
- g) Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator as mandated by the SEBI wherever felt necessary. The Company shall review the financial and operational capabilities of the third party to assess its ability to continue to meet its outsourcing obligations.

(VIII) Contingency and disaster recovery plan:

The management of the Company and the third parties should establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities. Such plans should cover the following

- a) Appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level.
- b) The plan should consider contingency plans at the third party; co-ordination of contingency plans at both the intermediary and the third party; and contingency plans of the intermediary in the event of non-performance by the third party
- c) To ensure business continuity, robust information technology security is a necessity. Hence, to ensure that third party maintains appropriate IT security and robust disaster recovery capabilities.
- d) Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the intermediary to confirm the adequacy of the third party's systems.
- e) Engagement letter with the third party may specify the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover,

business continuity and disaster recovery plans, force majeure clause, clause on prevention of corruption and bribery etc

(IX) Confidentiality:

The Management of the Company should take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated. The Company shall prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party shall have adequate checks and balances to ensure the same. In cases where the third party is providing similar services to multiple entities, the Company shall ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality. In instances where the third party acts as Outsourced agents to multiple Companies, the Management should ensure that strong safeguards are put in place so that there is no co-mingling of information / documents / records and assets.

The third parties must protect the confidential information from intentional or inadvertent disclosure to unauthorized persons. The Company shall:

- a) take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.
- b) prevail upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party shall have adequate checks and balances to ensure the same.
- c) ensure that adequate care is taken by the third party to build safeguards for data security and confidentiality in cases where the third party is providing similar services to multiple entities.
- d) ensure that strong safeguards are put in place so that there is no co-mingling of information /documents, records and assets in instances where the third-party acts as an outsourcing agent for multiple intermediaries.
- e) ensure that confidentiality clauses are unambiguous so as to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract.

(X) Reporting to FIU:

The Company shall be responsible for reporting of any suspicious transactions to FIU or any other competent authority in respect of activities carried out by the third parties.

(XI) Record keeping:

Records relating to all outsourced activities shall be maintained centrally so that they are readily accessible to the Management/employee of the Company for review, as and when required. The diligence records of the outsourcing entity shall be regularly updated.

(XII) Deviation from Policy:

Any request for deviation from this Policy, which may become necessary due to practical difficulties in implementation or otherwise, shall be referred to the Compliance Officer of the Company.

(XIII) Review of the Policy

The Policy will be reviewed on an annual basis in the wake of changing business environment.