AQUILA FINANCE LIMITED

OUTSOURCING AND THIRD-PARTY MANAGEMENT POLICY

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History of the Document	Adopted by	Date of Adoption/Review
Originally Adopted	Board of Directors	10-06-2023
Review	Board of Directors	27-04-2024
Review and Amendment	Board of Directors	25-10-2025
Review	Board of Directors	01-04-2026

1. INTRODUCTION & OBJECTIVE

Aquila Finance Limited may engage third-party service providers to perform certain activities to achieve operational efficiency, cost optimization, and strategic focus. While outsourcing can offer significant benefits, it also introduces various risks. This policy establishes a robust framework for managing third-party relationships to ensure that outsourced activities are conducted in a secure, compliant, and efficient manner, without diluting the Company's accountability to its customers or regulators.

This policy is formulated in line with the Reserve Bank of India's "Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs" dated November 9, 2017.

2. SCOPE & APPLICABILITY

This policy applies to all outsourcing arrangements entered into by the Company where a third party (whether affiliated or external) performs an activity on a continuing basis that would normally be undertaken by the Company itself. It is mandatory for all business units and personnel involved in the selection and management of service providers.

3. GOVERNANCE & OVERSIGHT

- **Board of Directors:** The Board retains ultimate responsibility for the outsourcing policy and its implementation. It approves material outsourcing arrangements as defined in Section 7.
- **Audit Committee:** The Audit Committee is responsible for:

  - Approving all material outsourcing arrangements.
  - Conducting a biennial review of ongoing material outsourcing contracts. - - -
  - Overseeing the overall risk and control environment related to outsourcing.

- **Senior Management:** The Managing Director, along with functional heads (Finance, Risk, Compliance, Operations), is responsible for the day-to-day implementation of this policy, including risk assessment, due diligence, vendor management, and reporting to the Board.

4. PROHIBITED OUTSOURCING ACTIVITIES (NON-DELEGABLE FUNCTIONS)

The following core management and regulatory functions shall not be outsourced to any external third party. They may only be performed internally or, where explicitly permitted by law, by a subsidiary, holding, or associate company:

- Core Credit Approval: Credit appraisal and sanctioning authority.
- Financial Integrity: Book-keeping and accounting functions.
- Regulatory Compliance: Compliance and internal audit functions.
- Customer Redressal: Management of the customer grievance redressal mechanism.
- Asset Custody: Safe-keeping of physical security (e.g., gold stock) and critical original documents.
- KYC Verification: Final verification of KYC documents and compliance with KYC norms.
- Investment Strategy: Management of the Company's investment portfolio.

5.PERMISSIBLE OUTSOURCING ACTIVITIES

The Company may outsource non-core activities, including but not limited to:

- **Business Development:** Sourcing of loans through Direct Sales Agents (DSAs), Digital Marketing Agencies (DMAs), fintech companies, and loan aggregators.

- **IT & Operations:** IT infrastructure management, data storage, software services (SaaS), disaster recovery, data analytics, and bulk messaging.
- **Support Services**: Property valuation, legal and secretarial services, HR supply, cash management, and premises maintenance.
- **Specialized Functions:** Collection and recovery of loans (including repossession agents), online auctioneers for asset sales, and digital marketing.
- **Advisory Services:** Appointment of internal and secretarial auditors on a contract basis, as permitted by law.
- **Infrastructure Development:** Branch construction, fit-outs, and related civil works.

6. SERVICE PROVIDER SELECTION & DUE DILIGENCE

- **Eligibility:** Service providers may be individuals, firms, LLPs, or corporate entities.
- **Arm's Length Principle:** Service providers shall generally be unrelated parties. Outsourcing to related parties (as defined under the Companies Act, 2013) is prohibited unless it is to a subsidiary, holding, or associate company and is duly approved.
- **Track Record:** Preference shall be given to providers with a proven track record of at least two years. Exceptions may be made for start-ups after a rigorous assessment of their capabilities and financial stability.
- **Comparative Evaluation:** For material activities, proposals from at least two service providers shall be evaluated.
- **Due Diligence:** A comprehensive due diligence process must be conducted, assessing:
  - Financial soundness and reputation.
  - Technical competence, experience, and internal controls.
  -Security practices, business continuity plans, and compliance history.
  - Background checks of key personnel.

7. THE OUTSOURCING AGREEMENT

All outsourcing arrangements must be governed by a formal, written agreement vetted by the Company's legal counsel. The agreement must clearly define:

- The scope of services, roles, and performance standards.
- The Company's right to monitor, audit, and inspect the service provider's relevant records and premises.
- Confidentiality, data privacy, and security obligations, including liability for breaches.
- A termination clause and a clear exit strategy.
- Business continuity plans of the service provider.
- Restrictions on subcontracting without the Company's prior consent.
- Provisions for the secure return/destruction of data upon contract termination.

8. RISK MANAGEMENT & CONTROL

The Company shall proactively manage risks associated with outsourcing, including strategic, reputational, compliance, operational, and legal risks. Key measures include:

- Ensuring outsourcing does not impair the Company's ability to fulfill its obligations to customers or regulators.
- Maintaining adequate internal control over all outsourced activities.
- Ensuring service providers adhere to the same high standards expected of the Company.
- Clearly disclosing the involvement of third parties to customers in relevant product literature.

9. DATA CONFIDENTIALITY & SECURITY

- Service providers must adhere to strict data security protocols, and access to customer information shall be on a 'need-to-know' basis.
- The Company will regularly monitor the service provider's security practices.
- Any breach of security or confidentiality must be notified by the service provider immediately.

10. CUSTOMER RIGHTS & GRIEVANCE REDRESSAL

- The Company remains fully accountable for all actions of its service providers.

- Customers retain their right to redress against the Company for any issue arising from an outsourced activity.
- The Company's grievance redressal mechanism will handle complaints against service providers.

11. BUSINESS CONTINUITY & EXIT STRATEGY

The Company shall maintain a viable business continuity plan to resume critical outsourced activities in the event of a service provider's failure. All contracts must allow for a smooth transition of services to an alternative provider or back in-house with minimal disruption.

12. MONITORING & REVIEW

- The Senior Management shall conduct an annual performance and risk review of all material outsourcing arrangements.
- The Audit Committee shall review the policy and its implementation biennially.
- Upon termination or expiry of a significant contract, appropriate public notification shall be made if it impacts customers.

13. POLICY AMENDMENTS

This policy may be amended by a resolution of the Board of Directors in a duly convened meeting or through a circular resolution.

BY THE ORDER OF THE BOARD OF DIRECTORS

For AQUILAN FINANCE LTD.