



INDUSTRIAL INVESTMENT TRUST LIMITED


OUTSOURCING POLICY

Industrial Investment Trust Limited

CIN: L65990MH1933PLC001998

Regd. Off: 101A, The Capital, G-Block,
Plot no.C-70 Bandra Kurla Complex,
Bandra (East) Mumbai Mumbai City
MH 400051Website: www.iitlgroup.com

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INDEX

S.NO.	PARTICULARS	PAGE NO.
1.	Introduction and Objective	3
2.	Definition	3
3.	Activities cannot be sourced	4
4.	Guiding Principles	4
5.	Board and Management Oversight	5
6.	Vendor Selection and Due Diligence	5
7.	Outsourcing Agreement Mandatory Clauses	5
8.	Data Protection and Confidentiality	6
9.	Monitoring and Review	6
10.	Business Continuity and Exit Strategy	6
11.	Record Maintenance and RBI Inspection	6
12.	Penalties and Corrective Actions	6
13.	Policy Review and Update	7
14.	Applicability	7

1. Introduction and Objective

Industrial Investment & Trust Limited (IITL) recognizes that engaging external service providers for certain operational, technological, or support functions can enhance efficiency, provide access to specialized expertise, and enable the Company to focus on its core business and strategic priorities. In an evolving financial and regulatory environment, outsourcing can be an effective means to achieve scalability, improve customer service quality, reduce turnaround time, and ensure operational resilience.

However, outsourcing does not transfer IITL's accountability. The Company remains fully responsible for all outsourced activities, their outcomes, and the protection of customer interests. Every outsourcing arrangement shall therefore be managed within a structured governance and risk management framework that ensures compliance with the Reserve Bank of India's *Master Directions on Scale-Based Regulation (SBR)*, the *Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs (2017)*, and any subsequent updates or circulars issued by RBI.

The objective of this Policy is to:

- Establish a comprehensive framework for identifying, approving, and monitoring outsourced activities.
- Ensure that outsourcing arrangements do not compromise internal controls, regulatory compliance, or customer confidentiality.
- Define the roles and responsibilities of the Board, Senior Management, and concerned departments in managing outsourcing risk.
- Promote transparency, accountability, and business continuity in all outsourcing relationships.
- Safeguard the interests of customers, shareholders, and regulators by maintaining effective oversight and risk mitigation mechanisms.

This Policy embodies IITL's commitment to ethical business practices, prudent risk management, and adherence to the highest standards of governance in all outsourcing relationships.

Definition

Outsourcing refers to the use of a third party whether a group company or an external vendor to perform an activity that IITL would normally undertake itself, on a continuing or recurring basis. Such activities may involve data processing, technology operations, or specialized professional services that are integral to IITL's business operations.

Outsourcing may be carried out through technology-based, cloud-hosted, or web-based systems where an external entity accesses IITL's data or performs operational functions on its behalf.

Examples applicable to IITL include:

- Use of web-based Loan Origination System (LOS) and Loan Management System (LMS) provided by an external vendor for end-to-end loan processing,

disbursement management, and repayment tracking through secure login access.

- Use of the web-based human resource and payroll management platform for employee attendance, payroll computation, and statutory deductions.
- Engagement of external legal firms for title verification, documentation vetting, and legal due diligence, and empanelled property valuers for project and security valuation.
- Outsourcing of data entry, document digitization, customer communication, collection support, IT maintenance, and accounting assistance, where applicable.

These are treated as outsourced financial or operational services since they relate to IITL's regulated business and involve access to sensitive company or customer information.

However, routine non-financial services such as housekeeping, courier, office security, or facility management are excluded from the scope of financial outsourcing under RBI's framework.

Activities that Cannot Be Outsourced

Certain key management and control functions must always remain within IITL, such as:

- Internal audit and risk management,
- Compliance and KYC verification,
- Loan sanction decisions,
- Investment decisions or fund management,
- Strategic planning and policy formulation.

These are "core management functions" and cannot be outsourced to anyone.

Guiding Principles

1. **Accountability:**
IITL remains responsible for outsourced work as if performed in-house.
2. **Customer First:** Outsourcing must never reduce service quality or compromise grievance redressal.
3. **Regulatory Compliance:** RBI and auditors must have access to records related to outsourced activities.
4. **Transparency:** All material outsourcing contracts are to be recorded in a central register and periodically reviewed.

Board and Management Oversight

- **Board of Directors:**
 - Approves this policy and reviews major outsourcing arrangements at least once a year.
 - Defines what qualifies as “material outsourcing” based on risk, value, and customer impact.
- **Senior Management:**
 - Conducts due diligence before outsourcing.
 - Monitors vendors’ performance, security, and compliance.
 - Maintains a central register of all outsourcing contracts.
 - Ensures business continuity plans are in place.

Vendor Selection and Due Diligence

Before entering into any arrangement, IITL must evaluate the service provider for:

- **Capability:** Technical and operational competence.
- **Financial Soundness:** Ability to meet obligations.
- **Reputation & Integrity:** Track record, legal history, client references.
- **Security & Controls:** IT safeguards, data protection practices.
- **Compliance Culture:** Adherence to RBI and other regulations.
- **Conflict of Interest:** Vendor must not be owned or controlled by IITL’s directors or relatives.

Due diligence findings must be documented and approved by management.

Outsourcing Agreement – Mandatory Clauses

Each contract must be in writing and it should include:

Key Clause	Description
Scope of Work & Performance	Clearly defines what is to be done, service levels, and timelines.
Confidentiality & Data Security	Vendor must protect customer data, use it only for intended purpose, and maintain confidentiality even after termination.
Audit & RBI Access	IITL and RBI must have full rights to inspect vendor records.
Liability & Indemnity	Vendor to compensate IITL for losses due to negligence or breaches.
Prohibition on Sub-contracting	Vendor cannot pass work to another party without written approval.
Termination & Exit Plan	Contract must define termination triggers and procedures for safe handover of data.
Business Continuity Plan	Vendor to maintain backup, disaster recovery, and fallback arrangements.
Customer Protection	Vendor shall employ the same high standard of care as IITL in performing services, strictly follow IITL’s Fair Practices Code and ethical

	standards, and ensure fair treatment, confidentiality, and protection of customer interests at all times.
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Data Protection and Confidentiality

- Access to customer information will be on a “need-to-know” basis only.
- Vendor must segregate IITL data from other clients’ data.
- All data (digital or physical) remains IITL’s property.
- Cloud or off-shore storage must not hinder RBI’s oversight.
- Any data breach or incident must be reported to IITL immediately and to RBI as per regulations.
- Vendor must maintain encryption, firewalls, and secure login protocols.

Monitoring and Review

- Vendor performance will be monitored continuously against Service Level Agreements (SLA’s).
- Quarterly reviews by respective dept. to evaluate service quality, security, and compliance.
- Internal audit will include outsourced functions in its audit plan.
- Half-yearly summary of all material outsourcing to be presented to the Board or Risk Management Committee.
- Any deficiency or non-compliance to be promptly escalated to the Compliance Officer and CEO

Business Continuity and Exit Strategy

Each arrangement must have a fallback plan to ensure continuity in case the vendor fails. This includes:

- Maintaining data backup within IITL’s control.
- Having alternative service providers identified in advance.
- Ensuring seamless transition of services during exit without affecting customers.

Record Maintenance and RBI Inspection

IITL shall maintain:

- A register of all outsourcing arrangements (nature, vendor, tenure, materiality).
- Copies of due diligence, contracts, performance reports, and audit findings.
- Records to be readily available for RBI inspection.

Penalties and Corrective Action

Any breach by a vendor that leads to financial loss, data leakage, or regulatory non-compliance will trigger:

- Immediate corrective measures and reporting to RBI.
- Review of the vendor’s engagement.

- Possible termination of contract and legal action.

Policy review & Update

This policy shall be reviewed periodically and placed before the Board of Directors for approval.

Applicability

This policy applies to all departments. It covers every external party engaged by IITL for any outsourced activity — such as software and IT service providers, valuers, legal advisors, collection agents, consultants, and other vendors performing work or services on behalf of IITL.