



INDUSTRIAL INVESTMENT TRUST LIMITED

CIN: L65990MH1933PLC001998

101A, The Capital, G-Block, Plot No. C-70, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

Website: www.iitlgroup.com

OUTSOURCING POLICY

(Applicable to Base Layer NBFC – Chapter III, RBI Directions 2025)

Version	V.2
Date of Approval	13 th March 2026
Earlier Version	V.1 Approved in 12.11.2025
Recommended By	CEO – NBFC Operations
Approved By	Board of Directors – Meeting Dated: 13.03.2026

Applicable Regulatory Framework

RBI (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025

Chapter III applicable | Chapter IV (IT Outsourcing) Not Applicable to Base Layer NBFC

13/03/2026

Table of Contents

1. Introduction.....	3
2. Objective of the Outsourcing Policy	3
3. Definitions.....	4
4. Activities that Cannot Be Outsourced	4
5. Guiding Principles.....	5
6. Board and Management Oversight	5
A. Board-Approved Outsourcing Policy	5
B. Responsibilities of the Board / Board Committee	5
C. Responsibilities of the Audit Committee of the Board (ACB).....	6
D. Responsibilities of Senior Management.....	6
7. Risks in Outsourcing.....	7
8. Confidentiality and Security	7
9. Evaluation & Selection of Service Provider	8
10. Outsourcing Agreement.....	8
11. Monitoring and Control of Outsourced Activities	9
12. Business Continuity and Disaster Recovery Management.....	10
13. Termination of Outsourcing Arrangement	10
14. Data Protection and Confidentiality	11
15. Record Maintenance and RBI Inspection.....	11
16. Penalties and Corrective Action	11
17. Policy Review & Update.....	12
18. Applicability.....	12



1. Introduction

Industrial Investment Trust Limited ("Company" / "IITL") is registered as a non-deposit taking Non-Banking Finance Company ("NBFC") with the Reserve Bank of India ("RBI"), vide Certificate of Registration number B-13.01368 dated August 10, 1933. IITL is classified as a Base Layer NBFC (NBFC-BL) under the RBI (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 ("SBR Directions, 2025").

This Policy is framed in accordance with Chapter III of the RBI (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025 ('RBI Outsourcing Directions'). Provisions under Chapter IV relating to IT Outsourcing are not applicable to Base Layer NBFCs and accordingly do not form part of this Policy.

As per the RBI Outsourcing Directions, 'Outsourcing' means the use of a third party (whether an affiliated entity within a corporate group or an external entity) by an NBFC to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future. 'Continuing basis shall include agreements for a limited period.

'Material Outsourcing' means arrangements which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability, or customer service of the NBFC.

IITL recognises that engaging external service providers can enhance operational efficiency, provide access to specialised expertise, and enable the Company to focus on its core business activities. However, outsourcing does not transfer or reduce IITL's regulatory accountability. The Company remains fully responsible for all outsourced activities, their outcomes, and the protection of customer interests.

IITL shall determine the materiality of outsourcing arrangements based on the following factors: criticality of the outsourced activity; associated risks; potential impact on earnings, solvency, liquidity, capital, and reputation; cost relative to total operating expenses; aggregate exposure to the service provider; and the significance of such outsourcing in ensuring effective customer service and protection.

2. Objective of the Outsourcing Policy

The objective of this Policy is to:

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



3. Definitions

For the purpose of this Policy, the following definitions shall apply:

- a) 'Outsourcing':** means the use of a third party (either an affiliated entity within a corporate group or an entity external to the corporate group) by an NBFC to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future. 'Continuing basis' shall include agreements for a limited period.
- b) 'Material Outsourcing':** means arrangements which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability, or customer service of IITL.
- c) 'Service Provider':** means a third party (whether affiliated to IITL or external) engaged to perform outsourced financial or operational activities on behalf of IITL.
- d) 'Group':** shall be as defined in the Reserve Bank of India (Commercial Banks – Concentration Risk Management) Directions, 2025, as amended from time to time, for the purpose of intra-group transactions and exposures.
- e) 'Financial Services' (for outsourcing purposes):** includes, but is not limited to, applications processing (loan origination), document processing, marketing and research support, supervision of loans, data processing, and back-office related activities.
- f) 'IT Services':** means IT services, IT-enabled services, and IT activities as defined under the RBI Outsourcing Directions. Note: Material Outsourcing of IT Services under Chapter IV is not applicable to IITL as a Base Layer NBFC.

Examples of outsourcing applicable to IITL as a Base Layer NBFC include:

1. Use of web-based Loan Origination System (LOS) and Loan Management System (LMS) provided by external vendors for end-to-end loan processing, disbursement management, and repayment tracking.
2. Engagement of external legal firms for title verification, documentation vetting, and legal due diligence; and empanelled property valuers for security and project valuation.
3. Outsourcing of data entry, document digitisation, customer communication, collection support, IT maintenance, and accounting assistance, where applicable.

Routine non-financial services such as housekeeping, courier, office security, and facility management are excluded from the scope of financial outsourcing under this Policy.

4. Activities that Cannot Be Outsourced

The following core management and control functions shall not be outsourced by IITL and must always be performed in-house:

1. Internal audit and risk management oversight.
2. Compliance functions, including KYC verification and AML monitoring.
3. Sanctioning of loans and credit decisions.
4. Management of investment portfolio and fund management decisions.
5. Strategic planning and policy formulation.

6. Decision-making functions related to regulatory compliance and reporting.

Note: Internal Auditors may be engaged on a contract/outsourced basis, as internal audit is a management oversight function that may be delegated. However, the Audit Committee of the Board must retain direct oversight and the final responsibility for audit outcomes. Compliance with RBI's guidelines on internal audit shall be observed.

However, for NBFCs forming part of a group/conglomerate, these functions may be outsourced within the group subject to compliance with instructions on intra-group outsourcing as elaborated in Section 6 below.

5. Guiding Principles

1. **Accountability:** IITL remains fully accountable for all outsourced activities as if performed in-house. Outsourcing does not reduce IITL's regulatory or legal responsibilities.
2. **Customer Protection:** Outsourcing arrangements must never reduce service quality, impair grievance redressal mechanisms, or compromise the confidentiality of customer information.
3. **Regulatory Compliance:** RBI and IITL's auditors must have unrestricted access to all records related to outsourced activities. No outsourcing arrangement shall impede supervisory oversight by regulators.
4. **Transparency and Documentation:** All material outsourcing contracts shall be recorded in a centralised register and periodically reviewed by Senior Management and the Board.
5. **Risk-Based Governance:** Outsourcing decisions shall be subject to a risk assessment commensurate with the nature, scale, and complexity of the outsourced activity.
6. **Arm's Length Principle:** Intra-group outsourcing arrangements shall be on arm's length terms and shall not be used to circumvent regulatory requirements.

6. Board and Management Oversight

A. Board-Approved Outsourcing Policy

IITL shall maintain a comprehensive Board-approved Outsourcing Policy governing the outsourcing of financial and operational activities in accordance with applicable RBI directions. The policy shall define the scope, governance framework, risk management principles, approval process, monitoring mechanisms, and review requirements for all outsourcing arrangements.

B. Responsibilities of the Board / Board Committee

The Board of Directors, or the Committee of the Board to which powers are delegated, shall be responsible for oversight of outsourcing arrangements and shall, inter alia:

1. Approve a framework for evaluating risks and determining the materiality of existing and proposed outsourcing arrangements, along with policies governing such arrangements.
2. Define appropriate approval authorities for outsourcing arrangements based on risk profile and materiality.

3. Establish a suitable administrative framework under Senior Management for effective implementation, monitoring, and control of outsourcing arrangements.
4. Review outsourcing strategies and arrangements periodically to ensure continued relevance, operational safety, and soundness.
5. Identify and approve business activities of a material nature that may be outsourced.
6. Approve a specific policy governing outsourcing of financial services to group entities, ensuring arm's length principles and regulatory compliance.
7. Review the register of all material outsourcing arrangements on a half-yearly basis, which may be placed before the Risk Management Committee where such responsibility is delegated.

C. Responsibilities of the Audit Committee of the Board (ACB)

The Audit Committee of the Board shall:

1. Monitor the effectiveness of internal audit systems covering all outsourced activities.
2. Review ageing analysis of reconciliation entries pending with outsourced vendors and ensure that outstanding items are resolved and cleared in a timely manner.

D. Responsibilities of Senior Management

The Senior Management of IITL shall be responsible for the following in respect of outsourcing:

1. **Policy Implementation:** Implement the Board-approved outsourcing policy and evaluate the risks and materiality of all existing and proposed outsourcing arrangements.
2. **Evaluation of Outsourcing Arrangements:** Conduct prior evaluation of proposed outsourcing arrangements and periodic review of existing arrangements, including assessment of service performance, criticality, and associated risks.
3. **Risk Identification and Reporting:** Identify outsourcing-related risks as they arise and ensure their monitoring, mitigation, and timely reporting to the Board or relevant Board Committee.
4. **Business Continuity Planning:** Ensure that adequate business continuity and contingency plans are in place to address disruptions in outsourced services, including the potential exit or failure of a service provider, and that such plans are periodically tested.
5. **Oversight and Customer Protection:** Ensure effective oversight over service providers and their subcontractors, particularly with respect to data confidentiality, protection of customer information, and timely redressal of customer grievances.
6. **Independent Review and Audit:** Ensure periodic independent review and audit of outsourced activities to verify compliance with applicable laws, regulatory requirements, Board-approved policies, and defined performance standards.
7. **Internal Capability:** Ensure that IITL maintains adequate internal capacity and expertise to effectively supervise and manage outsourced financial service activities.

7. Risks in Outsourcing

IITL shall evaluate and manage the following key risks associated with outsourcing arrangements:

- a) Strategic Risk:** Risk that the service provider conducts activities inconsistent with IITL's overall strategic goals.
- b) Compliance Risk:** Risk that privacy, consumer protection, and prudential laws are not adequately complied with by the service provider.
- c) Operational Risk:** Risk arising from technology failure, fraud, error, inadequate financial capacity of the service provider to fulfil obligations, or failure to provide remedies.
- d) Legal Risk:** Risk that IITL may be subjected to fines, penalties, or punitive damages resulting from supervisory actions arising from the service provider's failure.
- e) Exit Strategy Risk:** Risk of over-reliance on a single service provider, loss of relevant in-house skills preventing internalisation of the activity, or contracts that make timely exits prohibitively expensive.
- f) Counterparty Risk:** Risk arising from inappropriate underwriting or credit assessments conducted by the service provider.
- g) Contractual Risk:** Risk that IITL may be unable to enforce the terms of the outsourcing agreement.
- h) Concentration and Systemic Risk:** Risk arising from significant exposure of IITL (or the industry) to a single service provider, thereby reducing IITL's ability to exercise adequate control.
- i) Reputational Risk:** Risk of financial loss or reputational damage arising from a breach of security, data leakage, or non-compliance by the service provider.

The failure of a service provider in providing a specified service, a breach of security/confidentiality, or non-compliance with legal and regulatory requirements by the service provider can lead to financial losses or loss of reputation for IITL.

8. Confidentiality and Security

Public confidence and customer trust are prerequisites for the stability and reputation of IITL. The Company shall seek to ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider.

IITL and the service provider shall ensure that:

1. IITL shall immediately notify RBI in the event of any breach of security and leakage of confidential customer-related information.
2. Access to customer information by staff of the service provider shall be on a 'need-to-know' basis, limited to those areas where the information is required to perform the outsourced function.
3. The service provider shall be able to isolate and clearly identify IITL's customer information, documents, records, and assets to protect the confidentiality of such information.

4. IITL shall be entitled to regular review and monitoring of the security practices and control processes of the service provider, and the service provider shall promptly disclose any security breach to IITL.
5. The service provider shall maintain adequate encryption, firewall protections, and secure login protocols for all digital data of IITL and its customers.

9. Evaluation & Selection of Service Provider

In considering or renewing an outsourcing arrangement, IITL shall perform appropriate due diligence to assess the capability of the service provider to comply with obligations under the outsourcing agreement. Due diligence shall take into consideration qualitative, quantitative, financial, and operational factors; including but not limited to:

1. Experience and competence to implement and support the proposed activity over the contracted period.
2. Financial soundness and ability to service commitments even under adverse conditions.
3. Business reputation and culture, compliance record, complaints history, and pending/potential litigations.
4. Security and internal controls, audit coverage, reporting and monitoring environment, and business continuity management.
5. Due diligence conducted by the service provider on its own employees having access to IITL's data.

If the outcome of due diligence is satisfactory, selection of the service provider shall be based on the following criteria:

1. Resources and capabilities, including financial soundness, to perform the outsourced function within agreed timelines.
2. Compatibility of the service provider's systems and practices with IITL's requirements and regulatory obligations.
3. Market feedback on the service provider's business reputation and track record.
4. Level of concentration of outsourcing arrangements with a single party, to mitigate concentration and systemic risk.

10. Outsourcing Agreement

IITL shall ensure that all outsourcing arrangements are governed by a formally executed written agreement, duly vetted by the Company's legal counsel. The agreement shall clearly define the scope of the outsourced activity, service levels, performance standards, and the legal relationship between IITL and the service provider (including principal-agent, where applicable).

The outsourcing agreement shall, inter alia, include the following key provisions:

1. **Scope and Performance Standards:** Clear description of the activities being outsourced, along with defined service standards and performance benchmarks.

2. **Access to Information:** IITL's unrestricted access to all books, records, documents, data, and information relevant to the outsourced activity maintained by the service provider.
3. **Monitoring and Risk Management:** Provision enabling IITL to undertake regular monitoring, review, and assessment of the service provider to ensure effective risk management and timely corrective action.
4. **Sub-contracting:** Requirement that the service provider obtain prior written approval of IITL before engaging any sub-contractor for the outsourced activity, whether in whole or in part.
5. **Confidentiality and Data Security:** Adequate safeguards to ensure confidentiality and protection of IITL's and customers' data, including explicit liability of the service provider in the event of data breaches, security lapses, or unauthorised disclosure.
6. **Business Continuity:** Appropriate contingency and business continuity arrangements to ensure uninterrupted delivery of outsourced services.
7. **Audit Rights:** IITL's right to conduct audits and inspections of the service provider, either directly or through internal/external auditors or authorised representatives.
8. **Regulatory Access:** Provision enabling RBI or persons authorised by it to access IITL's records, documents, and information maintained, stored, or processed by the service provider.
9. **Regulatory Inspection:** Recognition of RBI's right to conduct inspection of the service provider and its books and accounts.
10. **Termination Rights:** A clearly defined termination clause, including circumstances for termination and the minimum notice period.
11. **Post-Termination Confidentiality:** Provision ensuring that confidentiality of customer information and data is maintained even after expiry or termination of the outsourcing agreement.
12. **Record Preservation:** Requirement that the service provider preserve documents, records, and data in accordance with applicable legal and regulatory obligations and take appropriate measures to safeguard IITL's interests post-termination.

11. Monitoring and Control of Outsourced Activities

IITL shall adopt the following framework for monitoring and control of outsourced activities:

1. **Management Oversight:** IITL shall maintain an appropriate management structure to monitor and control all outsourced activities. Outsourcing agreements shall include provisions enabling effective supervision, oversight, and regulatory compliance.
2. **Centralised Register:** IITL shall maintain a centralised register of all material outsourcing arrangements, which shall be updated on a continuous basis. The register shall capture at a minimum: nature of the activity, name of the service provider, tenure of the arrangement, and materiality classification.
3. **Board/Committee Review:** A summary of all material outsourcing arrangements and related risk assessments shall be placed before the Board of Directors or the Risk Management Committee on a half-yearly basis.
4. **Audit Review:** Periodic audits, either through internal or external auditors, shall be conducted to evaluate the adequacy of risk management practices, compliance with the outsourcing framework, and adherence to applicable regulatory directions.

5. **Annual Due Diligence:** IITL shall undertake at least an annual review of the financial and operational condition of service providers to assess their ability to continue meeting outsourcing obligations.
6. **Performance and Risk Assessment:** Such reviews shall identify any deterioration in performance standards, breach of confidentiality or security requirements, and weaknesses in operational resilience or business continuity arrangements.
7. **Transaction Reconciliation:** In outsourcing arrangements involving cash management or transaction handling, IITL shall ensure timely and accurate reconciliation of transactions between the Company and the service provider (or its sub-contractors).

12. Business Continuity and Disaster Recovery Management

IITL shall ensure the following framework for business continuity and disaster recovery in respect of outsourced activities:

1. **Business Continuity Framework:** IITL shall require all service providers to establish and maintain a robust Business Continuity Plan (BCP) and Disaster Recovery (DR) framework, including documented procedures for recovery and continuity of services.
2. **Periodic Testing:** Service providers shall periodically test their BCPs and DR plans. IITL may conduct joint testing or simulation exercises with the service provider wherever considered necessary.
3. **Contingency Planning:** IITL shall maintain an appropriate contingency plan for outsourced activities, including the availability of alternative service providers or the feasibility of bringing the outsourced activity back in-house in emergency situations.
4. **Protection and Segregation of Data:** Service providers shall ensure proper segregation and protection of IITL's information, documents, records, and other assets so that, in the event of termination or adverse conditions, such data and assets can be retrieved, transferred, or securely deleted/destroyed as required.
5. **Control and Intervention Rights:** IITL shall retain an appropriate level of control over outsourcing arrangements, including the right to intervene and take necessary measures to ensure continuity of operations in case of unexpected termination, insolvency, or liquidation of the service provider.
6. **Continuity of Customer Services:** The outsourcing framework shall ensure that any disruption arising from the termination or failure of the service provider does not adversely impact IITL's operations or its ability to serve customers.

13. Termination of Outsourcing Arrangement

In the event of termination of an outsourcing agreement for any reason, IITL shall take appropriate steps to inform relevant stakeholders. Specifically:

1. IITL shall publicise the termination by displaying a notice at a prominent place in its offices/branches, where applicable.
2. IITL shall publish information regarding termination on the Company's official website.
3. IITL shall appropriately inform customers so that they do not continue to engage or transact with the service provider after termination of the outsourcing arrangement.

4. IITL shall ensure that all data and records in the custody of the service provider are returned to IITL or securely destroyed/deleted in accordance with applicable legal and regulatory obligations.

14. Data Protection and Confidentiality

1. Access to customer information will be on a 'need-to-know' basis only, limited to those areas where access is required to perform the outsourced function.
2. The service provider must segregate IITL's data from the data of its other clients to prevent commingling or unauthorised access.
3. All data (digital or physical) generated or processed in connection with IITL's outsourced activities remains the property of IITL.
4. Any data breach or security incident must be reported to IITL immediately, and IITL shall notify RBI as per applicable regulatory requirements.
5. The service provider must maintain adequate encryption, firewalls, and secure login protocols for all systems handling IITL's data.
6. Obligations of confidentiality shall survive the termination or expiry of the outsourcing agreement.

15. Record Maintenance and RBI Inspection

IITL shall maintain the following records in relation to outsourcing arrangements:

1. A centralised register of all outsourcing arrangements capturing the nature of activity, name of vendor, tenure, materiality classification, and date of last review.
2. Copies of due diligence reports, executed contracts, service level agreements, performance reports, and audit findings for each outsourcing arrangement.
3. All records shall be maintained in a manner that is readily accessible and available for inspection by the RBI or other authorised persons at all times.
4. IITL shall ensure that service providers maintain and provide access to records as required under applicable regulations.

16. Penalties and Corrective Action

Any breach by a service provider that leads to financial loss, data leakage, regulatory non-compliance, or reputational damage shall trigger the following:

1. Immediate corrective measures and, where applicable, notification to RBI and other relevant regulators.
2. A formal review of the service provider's engagement and performance.
3. Possible suspension or termination of the outsourcing contract.
4. Exercise of legal remedies and recovery of damages as permissible under the outsourcing agreement.
5. Reporting to the Board or Audit Committee of the Board, as appropriate.

17. Policy Review & Update

This Policy shall be reviewed periodically, at least annually, or whenever required due to regulatory changes, operational developments, or material risk considerations. Any amendments shall be placed before the Board of Directors of IITL for approval. The revised policy shall be updated in the centralised policy register and communicated to all relevant departments.

18. Applicability

This Policy shall apply to all outsourcing arrangements undertaken by Industrial Investment Trust Limited (IITL) in respect of financial and operational activities involving third-party service providers, including group entities and external vendors.

It shall be applicable to all departments and employees of IITL who are involved in the identification, approval, execution, monitoring, or review of any outsourcing arrangement.

This Policy is formulated in accordance with the RBI Master Directions to ensure that the Company adheres to applicable regulatory and compliance requirements and shall be implemented in line with the RBI Outsourcing Directions and other regulatory guidelines issued from time to time; in the event of any conflict between this Policy and the RBI Directions, the RBI Directions shall prevail.

This Policy has been approved by the Board of Directors of Industrial Investment Trust Limited.

Date of Board Approval: 13.03.2026

Next Review Due: _____

