PRAYAS FINANCIAL SERVICES PVT. LTD.

OUTSOURCING POLICY

August 05, 2025

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Policy Owner	Credit & Operation
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The policy has been vetted by the following:

Approver Name	Designation	Online/Offline
Mr. Abhisek Khanna	Managing Director & Chief Executive Officer	Offline
Mrs. Jhummi Mantri	Financial Controller	Online
Mr. Amit Garg	Executive Vice President Credit	Online
Mr. Praveen Kumar	Business Head Micro Lending	Online
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Ms. Divya Rathi	Vice President Secretarial and Legal	Online
Mr. Navneet Gupta	Vice President Audit	Online
Mr. Sanjay Mehta	Associate Vice President Product	Online
Mr. Pratap Singh	Associate Vice President Operations	Online
Mr. Satya Pal	Associate Vice President Information Technology	Online

Table of Contents

List of Abbreviations

Abbreviation	Meaning
CCO	Chief Compliance Officer
MD & CEO	Managing Director & Chief Executive Officer
CFO	Chief Financial Officer
MFI	Microfinance Institution
NBFC	Non-Banking Financial Company
PFSPL	Prayas Financial Services Pvt. Ltd.

Definitions

In this Policy, unless expressly defined otherwise in this Policy, the capitalized terms shall have the following meanings:

Term	Definition
Arrangement	An agreement with a service provider wherein such service provider agrees/ promises to provide necessary services using its own staff and equipment, and usually at its own facilities.
Board of Directors/ Board	In relation to PFSPL, means the collective body of the Directors of PFSPL.
Business-critical Processes	The processes essential for conducting operations of PFSPL which does not include its core management functions.
Committee	The Board
Outsourcing	PFSPL's use of a third party to perform activities or processes that could otherwise be conducted internally, now or in the future, while PFSPL retains ultimate responsibility for the outsourced function.
Senior Management	Senior Management includes employees at the Executive Vice President (EVP) level and above, as well as the Heads of IT, Operations, and Audit departments, regardless of designation.
Service Provider	Any third party (either an affiliated entity within PFSPL or an entity that is external to PFSPL) that performs business-critical services on the continuing basis (includes arrangements for a limited period) that would normally be undertaken by PFSPL itself, now or in the future.
Signing Authority	To sign the outsourcing agreement.
Approval Authority	The Board of Directors of PFSPL.

1. Introduction

Prayas Financial Services Private Limited (PFSPL), a registered Non-Banking Finance Company - Microfinance Institution (NBFC-MFI) under the Reserve Bank of India, is dedicated to empowering financially underserved households and informal micro-enterprises by providing accessible financial products and services. As a subsidiary of Prayas Finance for Inclusive Growth Private Limited, PFSPL leverages its parent company's decade-long expertise in promoting financial inclusion to create a meaningful impact in low-income communities.

PFSPL operates on the Joint Liability Group (JLG) model, specifically designed to empower women in rural and semi-urban areas. This model supports individual aspirations while driving the economic development of local communities.

Our vision is to foster a society where individuals, particularly women, have equitable economic opportunities to enhance their standard of living and contribute meaningfully to community development. With a fully digitized, paperless loan processing system and a strong branch network across India, PFSPL has established itself as a trusted partner in driving financial stability and inclusion.

We remain committed to responsible lending practices, ensuring funds are effectively utilized to promote long-term socio-economic progress in underserved communities and committed to strengthening the local economy by prioritizing procurement from suppliers that create significant social and economic value within our communities. This 'best value' approach will consider not only price and quality, but also the supplier's contributions to community development, workforce diversity, and environmental stewardship.

2. Objective

This policy focuses on identifying activities eligible for outsourcing, selecting service providers, delegating authority based on outsourcing-related risks, determining materiality, and establishing systems to monitor, review, and manage risks associated with outsourcing financial services.

3. Applicability

This policy is framed under the Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs issued by Reserve Bank of India (RBI) as dated November 09, 2017. It shall come into effect from the date of approval by the Board and as amended from time to time.

4. Outsourceable Activities

Outsourcing is defined as the PFSPL'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 PFSPL itself, now or in the future.

Outsourced services herein means only financial services which include applications processing (loan origination, credit card), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others and is not applicable to technology-related issues and activities not related to banking services like usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records etc. An indicative list of activities eligible for outsourcing is as follows:

- Sourcing/Lead Generation/Recommendation of prospective Borrowers.
- Field Investigation.
- Verification of Documents, Fraud Control, Customer Profile, Credit Checks.

- Managing Customer Queries.
- Marketing of Company's products.

The above list is indicative and not exhaustive. PFSPL may outsource any activities other than those mentioned above which are permissible to be outsourced as per the RBI Guidelines.

5. Non-Outsourceable Activities

PFSPL shall not outsource core management functions, including Internal Audit, Strategic and Compliance functions, or decision-making activities such as compliance with KYC norms for opening loan accounts, loan sanctioning (including retail loans), and investment portfolio management. However, these functions may be outsourced within group or conglomerate companies, subject to the provisions outlined in point 16 of this policy. Additionally, while the internal audit function is a management responsibility, internal auditors may be engaged on a contractual basis.

6. Material Outsourcing Policy

For the purpose of these directions, material outsourcing arrangements are those that, if disrupted, could significantly impact PFSPL's business operations, reputation, profitability, or customer service. The determination of materiality for outsourcing will be based on the following factors:

- The importance of the outsourced activity to PFSPL and the level of risk it poses.
- The potential impact of the outsourcing on PFSPL's key parameters, such as earnings, solvency, liquidity, funding, capital, and overall risk profile.
- The likely effects on PFSPL's reputation, brand value, and ability to achieve its business objectives, strategy, and plans, should the service provider fail to perform the service.
- The cost of the outsourced service as a proportion of PFSPL's total operating costs.
- The aggregate exposure to a specific service provider, particularly when multiple functions are outsourced to the same provider.
- The significance of the outsourced activity in terms of its impact on customer service and protection.

Board should be timely communicated about the risk pertaining to material outsourcing.

7. Company's Role and Regulatory Requirements

- The outsourcing of any activity by PFSPL does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. Company shall be responsible for the actions of their service provider including Direct Sales Agents/ Direct Marketing Agents and recovery agents and the confidentiality of information pertaining to the customers that is available with the service provider. PFSPL shall retain ultimate control of the outsourced activity.

- PFSPL, when performing its due diligence in relation to outsourcing, shall consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.

- Outsourcing arrangements shall not affect the rights of a customer against PFSPL, 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 PFSPL, Company 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.

- PFSPL shall have a robust grievance redressal mechanism, which in no way shall be compromised on account of outsourcing.

- The service provider, if not a group company of PFSPL, shall not be owned or controlled by directors and key managerial personnel of PFSPL; these terms have the same meaning as assigned under Companies Act, 2013.

8. Role of the Approval Authority

Approvals would be provided by the Board on the basis of presentation made by Senior Management. Below are some of the points, but not limited to, that should be considered while providing approval:

- Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;

- Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;

- Reviewing periodically & as and when required, the effectiveness of policies and procedures;

- Ensuring that contingency plans (refer Annexure - 2), based on realistic and probable disruptive scenarios, are in place and tested; and

- Ensuring that there is independent review and audit for compliance with set policies.

9. Evaluation of Risks

The Approval Authority shall also evaluate all the key outsourcing risks associated with any outsourcing contract, including but not limited to, the following risks:

- **Strategic Risk:**
  - Activities carried out by outsourcing service provider on its own behalf that are inconsistent with the overall strategic goals of our Company.
  - Failure to implement appropriate oversight of outsourcing service provider.
  - Inadequate expertise to oversee outsourcing service provider.

- **Reputation Risk:**
  - Customer interaction that is inconsistent with our Company's standards
  - Unethical practices of outsourcing service provider.

- **Compliance Risk:**
  - Breach of obligation to preserve customer data confidentiality.
  - Changes in regulations not communicated to outsourcing service provider in a timely manner.

- Failure to adapt changes as per the changes in the regulations.

- **Operational Risk:**
  - Technology failure
  - Inadequate financial capacity of outsourcing service provider to fulfill obligations or provide remedies/restitution
  - Fraud or error
  - Failure of insurers to undertake inspections of Outsourcing service provider (e.g., due to practical difficulty or cost considerations)

- **Exit strategy Risk:**
  - Over-reliance on one outsourcing service provider
  - Loss of relevant skills or resources in the Company, preventing it from bringing an outsourced activity back in-house
  - Contracts which make a speedy exit prohibitively expensive

- **Contractual Risk:**
  - Inability to enforce contract

- **Information Risk:**
  - Reliance on information by outsourcing service provider that may be materially inaccurate
  - Delay in providing timely data and information to Company or regulator
  - Confidentiality of commercially sensitive/customer information may be compromised

- **Concentration Risk:**
  - Reliance on one outsourcing service provider for multiple activities.

A summary of the material risks arising out of the Outsourcing Contracts shall be reviewed by the Risk Management Committee at least once a year.

10. Selection of the Service Provider

PFSPL shall conduct thorough due diligence to evaluate the service provider's capability to meet the obligations outlined in the outsourcing agreement. This process will include assessing both qualitative and quantitative factors, such as financial, operational, and reputational considerations. The evaluation will also ensure compatibility between the service provider's systems and PFSPL's, while verifying that the service provider's performance standards, including customer service, are satisfactory.

Additionally, PFSPL will address concerns about undue reliance on a single service provider and will obtain independent reviews and market feedback to supplement its findings.

The due diligence process will encompass an evaluation of all available information about the service provider *(refer section 11)*, focusing on the following aspects:

- Service provider's resources and capabilities including past experience and competence to implement and support the proposed activity over the contracted period;

- Financial soundness and ability to service commitments even under adverse conditions;
- Business reputation and culture, compliance, complaints and outstanding or potential litigation;
- Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- Ensuring due diligence by service provider of its employees.

11. Outsourcing Agreement

The terms and conditions governing the contract between PFSPL and the service provider shall be carefully defined in written agreements and vetted by PFSPL's legal counsel on their legal effect and enforceability. Every such agreement shall address the risks and risk mitigation strategies. The agreement shall be sufficiently flexible to allow PFSPL to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of legal relationship between the parties - i.e., whether agent, principal or otherwise. Some of the key provisions of the contract shall be the following:

- all outsourcing agreement for a given service shall be in line with the applicable guidelines, if any, of the RBI;
- the service provider shall comply to all the guidelines of the regulator applicable to them;
- the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- PFSPL must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
- the contract shall provide for continuous monitoring and assessment by PFSPL of the service provider so that any necessary corrective measure can be taken immediately;
- a termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
- controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
- there must be contingency plans to ensure business continuity;
- the contract shall provide for the prior approval/consent by PFSPL of the use of subcontractors by the service provider for all or part of an outsourced activity;
- it shall provide PFSPL with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for PFSPL;
- outsourcing agreements shall include clauses to allow the Reserve Bank or persons authorized by it to access PFSPL's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time;
- outsourcing agreement shall also include a clause to recognize the right of the Reserve Bank to cause an inspection to be made of a service provider of PFSPL and its books and account by one or more of its officers or employees or other persons;

- the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated;

- PFSPL shall have necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

12. Confidentiality and Security

Maintaining public confidence and customer trust is essential for the Company's stability and reputation. Therefore, PFSPL shall take all necessary steps to ensure the security and confidentiality of customer information in the custody or possession of service providers.

- **Restricted Access:**
  Access to customer information by the service provider's staff shall be strictly on a "need-to- know" basis, limited to areas essential for performing the outsourced function.

- **Isolation and Safeguards:**
  The service provider must isolate and clearly identify PFSPL's customer information, documents, records, and assets to protect confidentiality. For service providers working with multiple companies, robust safeguards must be implemented to prevent comingling of information, documents, records, and assets.

- **Monitoring and Security Review:**
  PFSPL shall regularly review and monitor the security practices and control measures of the service provider. Additionally, the service provider will be required to report any security breaches promptly.

- **Reporting Breaches to RBI:**
  In the event of any security breach or leakage of confidential customer-related information, PFSPL shall immediately notify the Reserve Bank of India (RBI). In such situations, PFSPL will be liable to its customers for any resulting damages.

By enforcing these measures, PFSPL aims to safeguard customer information, uphold trust, and ensure compliance with regulatory standards.

13. Business Continuity and Disaster Recovery Management

PFSPL shall ensure that:

- The Service Providers have developed and established a robust documented and tested framework for business continuity and recovery procedures which shall be reviewed on annual basis.

- A notice period is incorporated in the Outsourcing Arrangement to mitigate the risk of unexpected termination thereof or liquidation of the Service Provider. To deal with such situation, an appropriate level of control and right to intervene shall be retained in the Outsourcing Arrangement with appropriate measures to continue the business operations of PFSPL without incurring prohibitive expenses and without any break in services to the customers of PFSPL.

- Alternative Service Providers are available or there is a possibility of bringing the outsourced activity back in-house in case of emergency.

- The Service Providers are able to isolate PFSPL's information, documents and records, and other assets, and to ensure this, a clause may be incorporated in the Outsourcing Arrangement that after termination of the contract, PFSPL can take back all the documents, records of transactions and information given to the Service Provider in order to continue its business operations, or otherwise delete, destroy or render unusable the same.

14. Monitoring and Control of Outsourced Activities

- PFSPL shall have in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.
- A central record of all material outsourcing that is readily accessible for review by the Board and senior management of PFSPL shall be maintained. The records shall be updated promptly, and half-yearly reviews shall be placed before the Board or Risk Management Committee.
- Regular audits by either the internal auditors or external auditors of PFSPL shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, PFSPL compliance with its risk management framework and the requirements of these directions.
- CCO & CFO of PFSPL shall, at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider, shall highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.
- In the event of termination of the outsourcing agreement for any reason in cases where the service provider deals with the customers, the same shall be the customers to ensure that the customers do not continue to deal with the service provider.
- PFSPL shall ensure that transaction reconciliations between PFSPL and the service provider (including any subcontractors, if applicable) are conducted in a timely and accurate manner. For instance, if PFSPL outsources its loan repayment collections to a third-party payment aggregator, the transactions processed by the service provider must match the records maintained by PFSPL. If a borrower repays ₹10,000 through the service provider's platform, the same amount should be reflected in PFSPL's internal records. Any discrepancies, such as missing transactions or incorrect amounts, should be identified and resolved promptly through reconciliation.
- A robust system of internal auditing all outsourced activities shall also be put in place and monitored by the ACB of PFSPL.

15. Grievance Redressal Mechanism

PFSPL shall constitute Grievance Redressal Mechanism and GRM team will act as a bridge between the customers and third-party. PFSPL's Grievance Redressal Mechanism shall also deal with the issue relating to services provided by the outsourced agency. PFSPL shall display the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer prominently at their branches / places where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay.

GRO Details

Designation	Detail
Grievance Redressal Officer	Name: Mr. Amit Tikku Contact Number: 1800-572-4548 Email: complaint@prayasfinance.com Registered Office Address: 108, 1st Floor, Orchid Business Park, Sohna Road, Sector - 48, Gurugram Haryana - 122004, India

16. Outsourcing within a Group/Conglomerate

- All policies/clauses/safeguards etc. as apply to third part outsourced agencies shall apply to the services outsourced to the group company.
- PFSPL may outsource its activity to any of its Group Companies to act as the Service Provider.
- PFSPL shall ensure that an arm's length distance is maintained in terms of manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests between PFSPL and Group Companies and accordingly necessary disclosures in this regard shall be made as part of the outsourcing agreement. Before entering such arrangements with group entities, PFSPL shall have a Board approved policy, commercials and also service level agreements/arrangements with the group entities, which shall also cover demarcation of sharing resources i.e., premises, personnel, etc.
- The customers shall be informed specifically about the company which is offering the product/service, wherever there are multiple group entities involved, or any cross selling observed.
- While entering into such arrangements, Company shall ensure that these:
  - are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
  - do not lead to any confusion to the customers on whose products/services they are availing by clear physical demarcation of the space where the activities of PFSPL and those of its other group entities are undertaken;
  - do not compromise the ability to identify and manage risk of PFSPL on a stand-alone basis;
  - do not prevent the RBI from being able to obtain information required for the supervision of PFSPL or pertaining to the group as a whole; and
  - include a clause explicitly stipulating a clear obligation for the provision of any service.
- If the premises of PFSPL are shared with the group entities for the purpose of cross-selling, PFSPL shall take measures to ensure that the entity's identification is distinctly visible and clear to the customers.
- The marketing brochure used by the group entity and verbal communication by its staff/ agent in the company premises shall mention nature of arrangement of the entity with the company so that the customers are clear on the seller of the product.
- PFSPL shall not publish any advertisement or enter into any agreement stating or suggesting or giving tacit impression that they are in any way responsible for the obligations of its group entities.

17. Engagement of Direct Selling Agent, Direct Marketing Agent or Collection/Recovery Agent

Currently, Prayas does not engage any Direct Selling Agents (DSAs), Direct Marketing Agents (DMAs), or Collection/Recovery Agents for sales, marketing, or recovery-related activities. However, in the event such engagements are made in the future, the following protocols shall be adhered to:

- **Training & Sensitization:** Prayas shall ensure that all Agents (DSA, DMA, or Collection/Recovery Agents, hereinafter referred to as "Agents") are adequately trained to discharge their duties with professionalism and sensitivity. Training shall particularly focus on customer solicitation, permissible calling hours, confidentiality of customer information, and accurate communication of product terms and conditions.
- **Code of Conduct & Undertaking:** A board-approved Code of Conduct shall be established for all Agents. Prayas shall obtain a signed declaration and undertaking from each Agent, affirming compliance with the said Code and Prayas's Fair Practices Code.
- **Prohibition of Coercive Practices:** Agents shall be strictly prohibited from employing any form of intimidation or harassment; verbal or physical, during collection efforts. This includes, but is not limited to, public humiliation, intrusion into the privacy of the borrower or their associates, anonymous or threatening calls, and dissemination of false or misleading information.
- **Due Diligence & Background Verification:** A thorough due diligence process shall be implemented for the selection of Agents, particularly those involved in recovery activities. Prayas shall verify the antecedents of individuals employed by the Agents, including police verification. Re-verification of antecedents shall be conducted at least once every three years.
- **Identification During Recovery Efforts:** In all collection or recovery-related activities, Prayas shall provide the borrower with prior written communication containing the details of the authorized Agent. The Agent shall carry:
    - A copy of the authorization letter issued by Prayas.
    - A copy of the notice issued to the borrower.
    - An identity card issued either by Prayas or the contracted agency.
- **Change in Agency:** In the event of a change in the recovery agency, Prayas shall promptly inform the borrower. The newly appointed Agent shall carry fresh authorization documents and proper identification.
- **Disclosure of Agent Details:** The authorization letter and notice shall include complete contact details of both Prayas and the Agent/agency. Furthermore, Prayas shall maintain and regularly update the list of engaged agencies on its official website.
- **Compliance Declaration:** All Agents shall be mandated to operate strictly in accordance with Prayas's board-approved Code of Conduct. A declaration-cum-undertaking ensuring such compliance shall be obtained at the time of engagement.

18. Reporting Requirement

PFSPL will be responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU or any other competent authority in respect of PFSPL s' customer related activities carried out by the service providers.

19. Review

This policy shall be reviewed annually, from time to time or as and when considered necessary by Board of Directors of PFSPL.

Annexure - 1

Risk analysis involved in outsourcing of material activities

Service which is Outsourced

Type of Risk	Very Low impact on business activity	Low impact on business activity	Medium impact on business activity	High impact on business activity	Very High impact on business activity
Strategic Risk					
Reputation Risk					
Compliance Risk					
Operational Risk					
Exit Strategy risk					
Contractual Risk					
Information Risk					
Concentration Risk					

Annexure - 2

Contingency plan format

S. No.	Line of Business	Product	Type of Contingency Reviewed	Current Status	Contingency	Alternative Arrangement	Action Plan	Target Date	Action Completion Status	Resp.
			please mention the events of contingency that may trigger failure	Please mention the SOP followed in Regular conditions	If you want to mention the details for each contingency, the same can be mentioned else you can mention for all the scenarios in one answer	To be given	Fixing the responsibilities	To be mentioned	Give the maximum duration of expected contingency to bring the business to normalcy	Please give the Escalation matrix in the event of contingency
1										
2										
3										
4										
5										

Annexure - 3

Signing Authority (Any one)

Sr. No.	Name	Designation	Sign
1	Mr. Abhisek Khanna	CEO	
2	Mr. Pranav Desai	CFO	
3	Ms. Divya Rathi	CCO	