

## **POLICY ON OUTSOURCING OF ACTIVITIES**

### **1. Introduction:**

This Policy on Outsourcing of activities by the Company (“Policy”) will provide guidance for conducting an assessment on the requirement of Outsourcing activities of SES ESG which are non-core in nature and can be appropriately Outsourced to Third Parties. SES ESG while Outsourcing such activities shall ensure that it does not Outsource its core business activities such as ESG rating, research and compliance function to any Third Party.

In general, SES ESG will have an outsourcing agreement with its holding company viz. Stakeholders Empowerment Services. However, there may be instances wherein third party services may be required.

SES ESG shall ensure that the Outsourcing arrangements neither diminish the ability to fulfil its obligations towards clients and regulators nor impede effective supervision by the regulators.

### **2. Selection of Third Party:**

It is imperative that SES ESG exercises due care, skill and diligence in the selection of the Third Party to ensure that the Third Party has the ability and capacity to undertake the provision of the service effectively.

SES ESG shall review the financial and operational capabilities of the Third Party in order to assess its ability to continue to meet its Outsourcing obligations.

SES ESG due diligence should include an assessment of:

- a. Third Party’s resources and capabilities, including financial soundness, to perform the Outsourcing work within the timelines fixed;
- b. Compatibility of the practices and systems of the Third Party with the SES ESG requirements and objectives;
- c. Track record of their services rendered in the past;
- d. Level of concentration of the Outsourced arrangements with a single Third Party; and

SES ESG shall enter into a clearly defined and legally binding written contract with each of the Third Party before outsourcing an activity, in accordance with the applicable laws. Care shall be taken to ensure that the outsourcing contract:

- a. clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- b. provides for rights, obligations and responsibilities of the Third Parties, including indemnity by the parties;
- c. provides for the liability of the Third Parties for unsatisfactory performance/other breach of the contract
- d. provides for the continuous monitoring and assessment by SES ESG of the Third Parties so that any necessary corrective measures can be taken up immediately, i.e., the contract shall enable SES ESG 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. includes, where necessary, conditions of sub-contracting by the third-party, i.e. the contract shall enable SES ESG to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- f. 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;
- g. specifies 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, etc;
- h. provides for preservation of the documents and data by third party;
- i. provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- j. provides for termination of the contract, termination rights, transfer of information and exit strategies;
- k. laws of a specific jurisdiction;
- m. neither prevents nor impedes SES ESG from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- n. provides for SES ESG 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 Parties.

SES ESG shall take appropriate steps to ensure that the Third Parties protect proprietary and confidential information of both SES ESG and its clients from intentional or inadvertent disclosure to any unauthorized persons and ensure that such information is not misused or misappropriated. SES ESG shall ensure that the employees of the Third Parties have limited access to the data handled and only on a 'need to know' basis and the Third Parties shall have adequate checks and balances to ensure the same.

Additionally, SES ESG shall not Outsource any activity if it would impair the supervisory authority's right to assess or its ability to supervise the core business of SES ESG. Further, SES ESG shall not enter into an Outsourcing arrangement which may impair the ability of SEBI/SRO or auditors to exercise their regulatory responsibilities such as supervision/inspection of the SES ESG. No Outsourcing arrangements will be entered with any Third Party which shall affect the rights of an investor or client against the Company in any manner.

### **3. Risk Management Programme:**

SES ESG maintains a risk management programme which addresses the risk associated with the Outsourced activities and the relationship with the Third Party.

SES group companies are not prohibited to act as a Third Party for the purpose of Outsourcing of an activity by SES ESG. SES ESG shall make all applicable disclosures under the law in respect of the contractual agreement with Third Party.

SES ESG shall and shall ensure that the Third Parties shall establish and maintain specific contingency plans for each Outsourcing arrangement with the Third Party, including a plan for disaster recovery, in case a Third Party services become unavailable. SES ESG shall also conduct periodic testing of critical

security procedures and systems and review of backup facilities to confirm the adequacy of the Third Party's systems.

**4. Records Maintenance:**

SES ESG shall preserve the records relating to all activities Outsourced by it centrally so that it can conduct appropriate due diligence in selecting the Third Party. Such records should be regularly updated and remain readily accessible for review by SES ESG Board and/ or senior management, as and when needed.

**5. Policy Review:**

Board shall mandate a regular review of this Policy in the wake of changing business environment and shall have overall responsibility for ensuring that all ongoing Outsourcing decisions taken by SES ESG and the activities undertaken by the Third Parties are in compliance with this Policy.

SES ESG Board may mandate reviews of risk management system and requirements as stipulated by SEBI through internal or external auditors, wherever felt necessary.