



**EMPANELMENT OF EXTERNAL AGENCIES POLICY  
AND CONFLICT OF INTEREST POLICY OF ITSLS**

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**BOARD MEMORANDUM**  
**EMPANELMENT OF EXTERNAL AGENCIES POLICY**  
**AND CONFLICT OF INTEREST POLICY OF ITSL**

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**I. PURPOSE**

This policy has been framed for the purpose of empanelment of external agencies for carrying out due diligence in terms of SEBI Circular dated November 03, 2020, continuous monitoring in terms of SEBI Circular dated November 12, 2020 and to comply with the provisions of SEBI Circular dated August 04, 2022. Empanelment of external agency will be governed by two policies namely empanelment of external agencies policy and conflict of interest policy as laid in Para III and IV respectively and the same shall be displayed on the website of ITSL.

**II. DEFINITIONS**

1. **External Agencies-** External Agencies shall mean any third party/professionals/advisors/experts such as Practicing Chartered Accountants, Practicing Company Secretaries, Registered Valuers, Practicing Advocates, etc. empanelled with ITSL to perform activities in accordance with SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/218 dated Nov 03, 2020, continuous monitoring in terms of SEBI Circular dated November 12, 2020 and SEBI/HO/DDHS/DDHS-Div1/CIR/2022/106 dated August 04, 2022.

2. **Conflict of Interest** – Conflict of Interest shall mean the External Agencies, external experts and advisors engaged for carrying out due diligence in accordance with this policy and Conflict of Interest policy of ITSL do not have pecuniary relationship with the issuer company 3 years prior to the issue.

3. **Risk Management Committee** – Risk Management Committee shall mean the committee headed by the head of the Legal & Compliance Department and comprising of senior officials from different departments of ITSL that evaluates significant risk exposures of the Company and takes necessary steps to mitigate the risk exposures in a timely manner.

**III. EMPANELMENT OF EXTERNAL AGENCIES POLICY**

**A. ACTIVITIES THAT CAN BE CARRIED OUT BY THE EXTERNAL AGENCIES**

Activities which are not a core part of trusteeship business may be carried out by an external agency and these include but are not limited to activities like due diligence, valuation of the properties, title search, verification of the asset cover, security cover, ROC Search Report etc. as required under the SEBI Circular Ref. No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/218 dated Nov 03, 2020. The circular enable the debenture trustee to carry out the due diligence by itself or through its advisors or expert as per para 6 of the circular. Arrangements with entities

only for the purpose of hiring associates to perform a part of an activity where such associates are fully supervised by the company employees would not be treated as prohibited activities under this policy. Activities that would impair ITSL's right to assess, or its ability to carry out supervisory activities cannot be carried out by the external agencies.

## **B. PROHIBITED ACTIVITIES**

No external agency shall be empanelled to perform the core business activity [i.e. providing trusteeship services] and the Compliance function of ITSL. Risk Management Committee to monitor the activities that are being carried out by the external agencies on recommendations of Legal and Compliance Department.

## **C. SELECTION CRITERIA FOR EMPANELMENT OF EXTERNAL AGENCIES**

Empanelment of External Agency on the panel of ITSL:

While empanelling any external agency on its panel, ITSL shall perform due diligence to assess the competency of external agency to comply with the obligations in the empanelment agreement to be entered with them. The external agencies is to be evaluated on the parameters of 4Cs viz. Capability, Compatibility, Consistency and Compliance.

Selection of agencies from the agencies empanelled on the panel of ITSL for the listed issuances of Clients:

While selecting agencies from the agencies empanelled on the panel of ITSL for the listed issuances of Clients additional parameters such as Conflict of Interest and Concentration is to be evaluated.

In both the above categories, the following factors is to be considered before empanelment of external agencies:

- a. **Capability:** Capability in terms of Experience and Expertise of the external agency in the relevant field and eligibility in accordance with the applicable law to perform the assignment
- b. **Compatibility:** Compatibility of the practices and systems of the External Agencies with the Company's requirements and objectives and maintenance of confidentiality
- c. **Consistency:** Consistency with the terms of this policy and the agreement to be entered with ITSL
- d. **Compliance:** Compliance with privacy laws and applicable SEBI regulations and SEBI circulars issued from time to time and confirmation that the agency has no pecuniary relationship with the issuer company 3 years prior to the issue.
- e. **Conflict of Interest:** No pecuniary relationship with the issuer company 3 years prior to the issue.
- f. **Concentration:** Level of concentration of the assignments with a single External Agency.

## **D. RESPONSIBILITY FOR EMPANELMENT OF EXTERNAL AGENCIES**

The Risk Management Committee shall have overall responsibility for ensuring that all ongoing empanelment decisions taken by the ITSL and the activities undertaken by the

External Agencies, are in line with this Policy as approved by the Board. All the proposal for empanelment of any external agency shall be placed before the MD & CEO for its approval, through Risk Management Committee of ITSL.

#### **E. ENTERING INTO WRITTEN CONTRACTS**

ITSL's empanelment shall be governed by written contracts / agreements / terms and conditions / email confirmations (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the empanelment including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc. ITSL and empanelled External Agencies shall execute the engagement letters before assigning and entrusting any assignment/work.

#### **F. RISK ASSESSMENT AND RISK MITIGATION**

Empanelment of external agencies may include operational risk, reputational risk, information risk, counter party risk, concentration risk etc. Following are few key risks that may arise upon empanelment of external agencies:

- a. Failure of External Agencies to not adequately perform the activity, poor Services, non-maintenance of confidentiality, technology error, fraud, misconduct etc.
- b. Conflict of Interest
- c. Regulatory status of the External Agencies, including its fitness and probity status;
- d. Over-reliance on one external agencies resulting into concentration risks

ITSL shall assess these risks, depending on factors like the scope and materiality of the activity carried out by the external agency and shall have a risk management programme to enable sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from the empanelment.

ITSL shall obtain indemnification from the external agency before empaneling them on the panel against the losses, damages, third party claims, actions, proceedings, costs or expenses of whatever nature whether in contracts, tort or otherwise, whatsoever and howsoever caused arising from or in any way connected with services of any external agency. Further, in the event of any professional misconduct, false submission of data/reports/information/documents or any kind of fraud by the external agency, ITSL reserves the right to register a complaint against such external agency with the respective institute where the external agency has registered itself such as ICAI, ICSI, Bar Council of India, State Bar Council and any other appropriate authority/institute.

#### **G. CONFIDENTIALITY**

- a. ITSL shall take appropriate steps to cause the external agencies to protect the confidential information of both ITSL and its Clients from intentional or inadvertent disclosure to unauthorised persons and ensure that it is not misused or misappropriated.
- b. ITSL shall prevail upon the External Agencies to ensure that the employees of the External Agencies have limited access to the data handled and only on a "need to know" basis and the External Agencies shall have adequate checks and balances to ensure the same.

- c. In cases where the External Agencies is providing similar services to multiple entities, the intermediary shall ensure that adequate care is taken by the External Agencies to build safeguards for data security and confidentiality.

#### **IV. CONFLICT OF INTEREST POLICY**

Securities Exchange Board of India (SEBI) vide its various circular has advised all the Trustee Companies to have a conflict of interest policy for appointment of external experts and advisers like Practicing Chartered Accountants, practicing Company Secretaries, Government approved Registered Valuers, practicing Advocates etc. for carrying out Due Diligence by debenture trustees before creation of security. In order to comply with the aforesaid provisions and to mitigate any conflict of interest arising between ITSL and External Agencies following process is being laid down:

- a. ITSL shall ensure that empaneled agency do not have pecuniary relationship with the issuer company 3 years prior to the issue.
- b. Engagement of the external agencies has to be from the approved Panel only.
- c. A line of confirmation /email or an undertaking in support of confirmation that there is no conflict of interest be obtained from the Issuer and external agencies and placed on record.
- d. Any addition/deletion to the approved Panel should be on regular basis and routed through Risk Management Committee and with the approval of MD & CEO.

#### **V. APPROVED BY THE BOARD**

This Policy was approved by the Board on 09.08.2022.

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