



State Bank of India
Australia

Outsourcing Policy

State Bank of India
Australia Branch
May 2023

Contents

- CONTACT FOR ENQUIRIES AND CHANGES.....1
- RECORD OF ISSUE1
- 1. PURPOSE.....3
- 2. INTRODUCTION.....3
- 3. OBJECTIVES OF THE POLICY4
- 4. DEFINITIONS.....4
- 5. ASSESSING MATERIALITY5
- 6. ROLES AND RESPONSIBILITIES OF THE RISK COMMITTEE AND SENIOR MANAGEMENT5
- 7. DECISION TO OUTSOURCE.....6
- 8. SELECTION OF SERVICE PROVIDERS.....7
- 9. DUE DILIGENCE AND APPROVAL OF POTENTIAL SERVICE PROVIDERS9
- 10. RISK ASSESSMENT AND AUDIT10
- 11. FINAL APPROVAL10
- 12. MONITORING AND REVIEW OF SERVICE PROVIDERS10
- 13. REPORTING 11
- 14. EMERGENCY SERVICE PROVIDER APPOINTMENTS.....12
- 15. COMPLIANCE AUDITS12
- 16. REVIEW AND UPDATE OF THIS POLICY.....13
- REVIEW13
- APPENDICES.....15
- APPENDIX A - MATERIALITY SCORECARD15
- APPENDIX B - OUTSOURCING BUSINESS CASE17
- APPENDIX C..... 20
- BUSINESS ACTIVITIES WHICH ARE CURRENTLY OUTSOURCED IN SBI AUSTRALIA: 20
- APPENDIX D21
- ANNUAL REPORTING BY OUTSOURCED SERVICE PROVIDERS.....21
- APPENDIX E: POLICY CHANGE MATRIX 22

1. PURPOSE

The purpose of this Outsourcing Policy is to formalise the State Bank of India, Australia Branch (“SBIA”, or “the Branch”) approach to the outsourcing of its material business activities.

This Policy provides the context and guidance concerning any outsourcing of any material business activity and the subsequent processes for assessing, monitoring and managing the risks arising from the outsourcing activity.

This policy also sets out the key processes and procedures that State Bank of India, Australia Branch (SBIA) applies in relation to the outsourcing of material business activities to external service providers.

The policy is designed to ensure that SBIA uses high quality external service providers that will assist it achieve its vision and mission, and implement its strategic business goals and that its arrangements with these providers are subject to appropriate due diligence, approval and ongoing monitoring.

SBIA’ Senior Officer Outside Australia (SOOA) has ultimate responsibility for the outsourcing of any material business activity, including responsibility for complying with all prudential and legal requirements, and requires that these procedures are implemented and adhered to.

The Chief Executive Officer or the Branch Risk Committee may approve non-material deviations from this Policy, provided that the APRA content requirements for a material outsourcing agreement have been met. Any non-material deviations must be supported by a business case and clear rationale for deviation including any timeframe for subsequent compliance with the policy.

Day-to-day monitoring of outsourcing arrangements will be carried out by the SBIA business team responsible for the business activity that has been outsourced.

SBIA has established the processes and procedures set out in this document to comply with the relevant statutory and regulatory obligations. As an Authorised Deposit Taking Institution (ADI) SBIA is required to comply with the Australian Prudential Regulation Authority’s (APRA) Prudential Standard CPS 231 Outsourcing, APRA’s Prudential Practice Guide CPG 231 Outsourcing, APRA’s Prudential Standard CPS 234 Information Security and APRA’s Information Paper on Outsourcing involving cloud computing services September 2018 .

Additionally, the Corporations Act 2001 provides that SBIA has ultimate responsibility for complying with the conditions of its Australian Financial Services License (AFSL) issued by ASIC, even where activities are outsourced to third parties.

2. INTRODUCTION

The Branch Outsourcing Policy outlines the processes and procedures that SBIA follows when considering the outsourcing of any of its material functions.

The outsourcing of a material business activity may result in the day-to-day managerial and operational responsibility for a Branch business activity moving from Branch control to the managerial control of a third-party service provider.

Despite this change, SBIA is firmly aware that it remains prudentially responsible for Branch compliance for all legal, reporting, regulatory and prudential requirements that relate to the management of the outsourced business activity.

This Policy provides the framework for the due diligence for assessment of materiality of any outsourcing arrangement involving Branch business activities. In doing so, the Policy provides the requirements of due diligence, approval and the continuing monitoring of the business activity to ensure SBIA is able to meet both its regulatory requirements as well as its financial and service obligations to its customers.

3. OBJECTIVES OF THE POLICY

Outsourcing involves entering into an agreement with another party (including a related body corporate) to perform, on a continuing basis, a business activity which currently is, or could be, undertaken by SBIA.

Outsourcing has the potential to transfer risk management and compliance to Third Parties who are not regulated. This raises the issue of how SBIA can be confident that it remains in charge of its business and associated business risks while meeting its regulatory responsibilities.

Outsourced Services are subject to the same management disciplines that would apply as if the service was not outsourced. SBIA recognises that outsourcing a business activity does not transfer the risks associated with that activity to the Service Provider.

Outsourced Services are to be the subject of documented agreements that include service level agreements, review processes, period of service, details of service, limitations on outsourcer activities, risk management requirements, financial and capacity issues, termination, insurance and dispute processes etc.

4. DEFINITIONS

Outsourcing – when the Branch arranges for another party (including a related party) to perform a material business activity which currently is, or could be undertaken, by the Branch.

Offshoring - involves the outsourcing of a material business activity to a service provider (including a related party) where the outsourced activity is to be conducted outside Australia.

Material business activity - one that has the potential, if disrupted, to impact significantly on the Branch's operations or the ability to manage risks effectively, having regard to:

- The financial and reputational impact on State Bank of India of the service provider's failure to perform over a given period of time
- The cost of outsourcing arrangement as a share of total costs
- The degree of difficulty, including the time taken, in finding an alternative service provider or bringing the business activity back "in-house"
- The Branch's ability to meet regulatory requirements if there were problems with the service provider
- Potential losses / impacts to the Branch's customers and other affected parties if the service provider defaulted or stopped providing the service
- Any affiliation or other relationship between the Branch, or any of the Branch's staff, and the service provider

A material business activity does not include day-to-day contractor type relationships, where there are numerous providers in the marketplace, the contract is relatively short term and the cost and inconvenience of switching between providers is low. Examples that would not constitute a material business activity include utility services (such as mail and telephone services), legal services and printing services.

Non-material policy deviation – means a departure from the Policy and should only be made by the Risk Committee in consultation with the SOOA.

Senior management – means responsible person which may include Head of Department, CEO or Senior Officer Outside Australia (SOOA) per the branch Fit and Proper Policy.

Trigger for policy review - means legislative change, operations change or other occurrence that may impact the branch including adverse development in the branch's outsourcing arrangements

State Bank of India, Australia

5. ASSESSING MATERIALITY

All outsourcing arrangements involving material business activities must meet the requirements set out in this policy. However, this policy can also be used as a guide when outsourcing business activities that are not considered to be material business activities.

SBIA is required to identify, assess, manage, mitigate and report on risks associated with the outsourcing of its material business activities to meet its obligations to beneficiaries and protect its financial position.

SBIA' Risk Committee will assess the materiality of SBIA' outsourcing arrangements (including proposed arrangements) on the basis of the following criteria:

- The financial and operational impact and impact on reputation of a failure of the service provider to perform over a given period of time
- The cost of the outsourcing arrangement as a share of total costs
- The degree of difficulty, including the time taken, in finding an alternative service provider or bringing the business activity in-house
- Potential losses to beneficiaries and other affected parties in the event of a service provider failure
- The ability of SBIA to meet regulatory requirements if there are problems with the service provider
- Affiliation or other relationship between SBIA and the service provider

Scheme administration and custody arrangements meet these criteria as:

- A financial, operational or reputational failure of these service providers over a given period of time is likely to have a material impact on SBIA' business operations.
- SBIA' relationships with outsourced activity managers must all be arms-length commercial contracts.
- There must be no affiliation or other relationship between SBIA and the service provider, other than that the contractual relationship may have been entered into in accordance with its terms.

A formal risk assessment is also conducted separately covering individual risks consistent with the requirements set out in the SBIA Operational Risk Management Policy and as part of the Outsourcing Business Case (see Appendices).

This policy assumes that Materiality is assessed in accordance with the guidelines contained within APRA Prudential Standard CPS231 Outsourcing as outlined in the definition contained above.

With these factors in mind, the Branch's assesses materiality using a scorecard which is detailed in the Appendices. The Materiality Scorecard seeks to quantify these factors, whilst at the same time providing for the exercise of subjective judgments to ensure that the Branch Management's assessment of materiality results are in context with the size and scope of the Branch's operations.

For the avoidance of doubt and in accordance with Prudential Standard CPS 231 Outsourcing, the Internal Audit function is defined as a material business activity.

6. ROLES AND RESPONSIBILITIES OF THE RISK COMMITTEE AND SENIOR MANAGEMENT

Responsibilities of the Risk Committee

The key responsibilities of the branch Risk Committee in relation to outsourcing of a Material Business Activity are:

- Establishing this Policy and requiring that the Policy is regularly reviewed and changes made where necessary
- Monitoring compliance with this Policy and all prudential requirements that relate to the outsourced business activity
- Establishing an appropriate practice for approving the selection and appointment of third-party service providers for Material Business Activities
- Monitoring the activities of service providers through receiving, either directly or through a relevant Committee, regular reports of their activities
- Escalating (if required) the proposed material outsourced business activity to the Senior Officer Outside Australia (SOOA) as the ultimate responsibility for the outsourcing of any material business activity. Ensuring that outsourcing risks and controls are considered as part the risk management strategy and when completing a risk management declaration required to be provided to APRA

Responsibilities of Senior Management

The key responsibilities of Senior Managers (Responsible Persons) in relation to outsourcing a Material Business Activity are

- Implementing the Risk Committee's recommendation for the approval of the selection and appointment of third-party service providers
- Establishing, implementing and maintaining a control framework to assist the Risk Committee (where relevant) in approving the selection and appointment of third-party service providers
- Senior Management and the Risk Committee recognise that where a Material Business Activity is outsourced, SBIA remains responsible for the SBIA activities for the outsourced Material Business Activity.

7. DECISION TO OUTSOURCE

For all Material Business Activities, the relevant Senior Manager (Responsible Person) will assess their outsourcing options by preparing a business case for outsourcing the Material Business Activity. The first assessment is to be whether the activity should be outsourced. This assessment is to be submitted to the Risk Committee for approval.

The business case must address the following areas:

- (i) Both the financial and reputational impact of poor performance by a service provider or the failure of the service provider to perform the relevant activity over a given period
- (ii) The potential cost of the outsourcing arrangement as a share of total costs
- (iii) The degree of difficulty (including the time taken and resources required to find an alternative service provider or to bring the activity in-house
- (iv) The potential impact on SBIA to meet its regulatory, risk and compliance obligations if any problems arise with a service provider
- (v) Any additional benefit or risk to members arising from outsourcing
- (vi) Consistency with SBIA's strategic and corporate plans
- (vii) Cost impact arising from outsourcing
- (viii) How and to what extent outsourcing of the Material Business Activity will assist SBIA in meeting the adequacy of resources requirements, and how these requirements will be monitored on an ongoing basis
- (ix) The assessment of any material changes to the risk profile of the outsourced activity and how this is addressed in SBIA's risk management framework

Appendix C

Business Activities Which Are Currently Outsourced in SBI Australia:

(*Sample only: All scores to be updated once Policy is approved)

| Material business activity | Outsourced provider | Score (out of 600 as at April 2023) | Existing Classification |
|---|--|-------------------------------------|-------------------------|
| Digital ID Verification for customers (primary service) | Equifax Australia Pty Ltd | 516 | Material |
| Verification of remittance customers only (secondary service) | Australia Post Corporation | 174 | Low |
| Provision of core banking IT systems | SBI Global IT Centre, Mumbai, India | 510 | Material |
| Website Hosting | Melbourne IT Pty Ltd (ARQ Group) | 498 | Material |
| Document Storage | Zirco Data (Utlimo Document Storage Pty Ltd) | 144 | Low |
| Provision of Internal Audit services | Findex Australia Ltd | 318 | Material |
| Treasury Back Office Functions | SBI Global- Centralised Global Back Office, Kolkata, India | 384 | Material |
| ANZ Banking Pty Limited | Domestic Clearing Services | 420 | Material |

If a Material Business Activity is already outsourced and SBIA is considering appointing a replacement service provider, then SBIA is still required to complete the business case as mentioned above.

8. SELECTION OF SERVICE PROVIDERS

Suitability of External Service Providers

Before deciding to outsource any activity, including a material business activity, SBIA will consider the business case for outsourcing. This will include consideration of whether SBIA is appropriately resourced to provide the required service within the timeframe and budget available, actual and potential conflicts of interest, and benefits and risks of the proposed outsourcing.

Once a decision is taken to outsource a material business activity, SBIA must choose an appropriate selection process – eg, a tender process whereby it tenders for a service provider on the basis of special expertise.

If a tender document is required to be prepared, it will be designed to enable prospective service providers to make a business submission for provision of the services in an informed and transparent manner. The tender document will outline SBIA' requirements of the proposed outsourcing arrangement and outline the basis on which a determination to proceed with a new service provider will be agreed.

SBIA will carry out appropriate due diligence on potential service providers prior to any final decision being made to outsource the material business activity. This process will address all material factors that would impact on the potential service provider's ability to perform the business activity. At a minimum, the due diligence process should look at the following issues:

- Expertise and experience of the service provider
- Experience and qualifications of key staff
- Financial and technical abilities
- How long the service provider has been providing similar services in the industry
- The service provider's client base and how SBIA fits into that base

Where the activity to be outsourced is to be conducted outside Australia, SBIA will consult with APRA prior to the outsourcing.

Engagement of External Service Providers

All material outsourcing arrangements must be contracted in a documented legally binding agreement that is enforceable in Australia and subject to Australian law. It must be signed by all parties before the outsourcing arrangement commences. The agreement must document all components of the outsourcing arrangement between SBIA and the respective third-party provider.

SBIA management may have recourse to legal advisors in drafting or assessing contractual arrangements relating to outsourcing arrangements.

At a minimum an outsourcing agreement must cover the following arrangements:

- The scope of the arrangement and services to be supplied
 - Scope, content, frequency, and format of the services being provided
 - Duties and powers of the service provider
- Term - including
 - Commencement and end dates

- Flexibility to accommodate changes to existing service levels/processes, the law, and changes in ASIC or APRA policy
- Option to renew the term (if any)
- Review provisions
 - Periodic review of the agreement and services provided
- Pricing and fee structure
 - Explicit pricing arrangements, including frequency of invoicing, payment procedures
 - Fee review process
 - The connection between the service fees payable and (a) performance against benchmarks (if any) and (b) variations to the services being provided to SBIA
 - GST clause
- Service levels and performance requirements
 - Procedures to allow SBIA to effectively monitor the performance of the service provider
- Data
 - Ownership and control of data
 - The form in which data is to be kept
- Reporting requirements
 - The content of the reports the service provider is required to prepare, the frequency of reporting
- Audit and monitoring procedures
 - SBIA, ASIC or APRA may request an independent audit of the service provider's activities
 - SBIA' external and internal auditors to obtain sufficient information to satisfy themselves of the adequacy of the operation of risk management and other systems and the adherence to those systems
- Business continuity management (BCM)
 - Business continuity plans
 - Periods during which normal service levels must be restored
 - Backup of data and software
- Confidentiality, privacy and security of information
 - Confidential information to be kept confidential and secure
 - Protection of the privacy of personal information
- Default arrangements and termination provisions
 - Identification of Default events
 - Default arrangements linked to the termination provisions, where appropriate
 - Rectification or indemnity to protect SBIA' position, if appropriate
 - Possible reasons for termination
 - Appropriate notice periods
 - Rights and responsibilities of respective parties
 - Transitional and final arrangements which address access to, and ownership of, documents, records, software and hardware.
 - Appropriate force majeure provisions.
- Dispute resolution arrangements
 - Formal dispute resolution mechanism
 - Where necessary, conciliation and arbitration arrangements
- Liability and indemnity
 - Extent of liability of each party and, in particular, where there is any limitation of liability for negligence
 - Indemnity in favor of SBIA to the maximum extent permitted by law
- Sub-contracting (if any)
 - The basis (if at all) on which the third party service provider may sub-contract eg the standards that the sub-contractor must meet, whether SBIA agreement is required to any sub-contracting
 - Liabilities or obligations under the head outsourcing agreement eg whether the subcontracting agreement should meet the same standards as the head contract under which the material business activity was outsourced

- Responsibility for any act or omission of a sub-contractor in the performance of any subcontracted services – SBIA’ outsourcing agreement must include an indemnity to the effect that any sub-contracting by a service provider of the outsourced function will be the responsibility of the service provider, including liability for any failure on the part of the sub-contractor
- Any, offshoring arrangements
- In respect of security and confidentiality of information, offshoring, compliance with relevant legislation and regulations, APRA’S access to information
- BCM requirements as mentioned above also applies to all subcontracted services.
- Insurance
 - Service provider to hold professional indemnity insurance and fidelity insurance at an appropriate level
 - SBIA’ interest noted on the professional indemnity insurance policy
 - Provision of certificate of currency of the policy
- Authorised representatives
 - List of authorised representatives of SBIA and the service provider
 - The power, duties, and conduct of authorised representatives
 - Liability of the respective parties for conduct of its authorised representatives
- Regulator access
 - Access to information necessary to satisfy a regulator as to the adequacy of compliance and risk management systems used by the service provider
 - On-site visits and access any documents or information held at the premises
 - Ensure that the service provider does not disclose or advertise that APRA has conducted an on-site visit, except as necessary to coordinate with other entities regulated by APRA that are existing clients of the service provider
- SBIA access
 - SBIA may access any documents or information relating to SBIA or the outsourcing arrangement
 - SBIA may conduct on-site visits at the service provider’s premises on reasonable notice
- Financial problems or takeover of service provider
 - Dealing with financial capacity problems experienced by the service provider such as the occurrence of an insolvency event
- Jurisdiction
 - Enforceable in Australia
 - Subject to Australian law

9. DUE DILIGENCE AND APPROVAL OF POTENTIAL SERVICE PROVIDERS

Due diligence of any preferred service provider should always be undertaken prior to any final decision as to whether to outsource a Material Business Activity to that preferred service provider.

The relevant Senior Manager must obtain all requisite information to provide comfort to the Risk Committee in relation to the factors listed below.

The assessment should consider the following as a minimum

- (i) Whether the service provider has the financial and technical resources, and the human resources and relevant expertise to deliver the services on an ongoing basis
- (ii) The service provider’s compliance plan and procedures the service provider’s internal control framework (including risk management, performance standards, policies, procedures, compliance reporting and monitoring processes, information security capabilities, commensurate with the potential consequences of an information security incident affecting information assets).
- (iii) The adequacy of the service provider’s business continuity plan and whether there are any dependencies between the service provider’s and SBIA’ business continuity plan

- (iv) Any past issues faced of the service provider in providing similar services and how these have been addressed, including fraud history
- (v) An assessment of the anti-money laundering and counter-terrorist financing risks of the service provider

The assessment process should also consider whether there are potential problems, including potential conflicts where the service provider has similar arrangements with other ADI's.

If there is no third-party expert assistance being used to select a service provider, appropriate references should be checked.

10. RISK ASSESSMENT AND AUDIT

Risk assessment, including offshoring

Before entering into any Material Business Activity agreement, Senior Managers (Responsible Persons) must undertake and document a risk assessment of the proposed outsourcing arrangement.

The risk assessment must at least

- (i) Take into account whether the risk profile of the business activity has changed as a result of the outsourcing arrangement and consider how this changed risk profile is addressed with SBIA' risk management framework
- (ii) Identify key risks involved with the outsourcing arrangement, including any offshoring risks, and the risk mitigation strategies put in place to address the risks
- (iii) Identify any explicit risk issues where an associated entity is being considered for appointment.

11. FINAL APPROVAL

As stated previously, the Risk Committee has the power to select a service provider to provide Material Business Activities on behalf of SBIA.

However, the Risk Committee may delegate this power, either generally or in relation to a specific appointment, to the CEO, or a selection of members of the Risk Committee, as it determines from time to time.

12. MONITORING AND REVIEW OF SERVICE PROVIDERS

Review/ Renewal of service provider

Circumstances which may give rise to a review by SBIA of a service provider outside the above time periods include

- (i) Inadequate performance by the service provider, including quality or timeliness of services being delivered.
- (ii) Changes in key staff of the service provider
- (iii) Changes to the ownership of the service provider's business which may result in a different focus or philosophy being pursued
- (iv) Legislative changes which require a review, e.g., additional or different licensing or regulatory requirements
- (v) A review of provisions of renewable fixed term agreement where a tender process may not be practical

SBIA is also required as per APS 220 to arrange an independent and regular internal reviews of valuations/ automated valuation methods results by appropriate management or audit personnel and formal reviews by an independent value, where applicable.

Any outsourcing agreement entered into must include a process for the renewal of that agreement or transition to an alternate provider. This process should include a clear timeframe that allows sufficient time for the renewal process to be concluded before the current arrangement expires.

Should the arrangement be perpetual, the activity is to be assessed and monitored by the respective business owners.

Monitoring of outsourced activity

SBIA has procedures to monitor the performance of Material Business Activity service providers. The actual reporting framework to the Risk Committee and Senior Manager will vary with each Material Business Activity arrangement reflecting the size and nature of the arrangements.

Monitoring is conducted by the relevant Senior Manager and overseen by the Risk Committee to ensure there is continued focus on the respective Material Business Activity arrangement.

The procedures for monitoring performance must include

- (i) Maintaining appropriate levels of regular contact with the service provider. This will range from daily operational contact to Senior Manager involvement
- (ii) A procedure for the regular monitoring of the performance of the service provider against the Material Business Activity arrangement and in particular include monitoring against the service levels agreed between the service provider and SBIA
- (iii) A procedure for the regular monitoring of any other performance aspects of the service provider not covered under sub-paragraph (ii) above deemed to be appropriate by SBIA
- (iv) Where applicable, procedures for the carriage of SBIA site visits to the service provider.

To support the specific risks associated with offshoring arrangements, SBIA will endeavor to obtain the important arrangement related documents, to be written in English. Such documents would include:

- (i) A copy of the contractual arrangement
- (ii) A copy of the due diligence assessment
- (iii) A copy of the service provider's BCM documentation/ certification, which includes details/ attestation of the latest testing for BCM processes; and
- (iv) Copies of financial statements, where applicable, reports and any other information SBIA considers critical to the ongoing monitoring and control of the outsourcing arrangement with the service provider.

13. REPORTING

The Risk Committee and Senior Management are to receive regular reports from service providers on the outsourced activities.

Service providers must report on the performance of the Material Business Activity arrangement on a half yearly basis.

Notwithstanding reporting arrangements, any material problems with Material Business Activity arrangements will be brought immediately to the attention of the relevant Senior Manager. The relevant Senior Manager will assess the matter and report the matter to the Risk Committee.

State Bank of India, Australia

Outsourcing Policy

The latest version of the policy will be made available in SBIA's share point portal to all relevant stakeholders.

Notification Requirements

SBIA must notify APRA after entering into an outsourcing agreement relating to a material business activity and also for the change of service provider for the material business activities as soon as possible, and in any event, no later than 20 business days after the execution of the outsourcing agreement.

When notifying APRA of a new outsourcing agreement, SBIA will provide APRA with a summary of the key risks involved in the outsourcing arrangement and the risk mitigation strategies put in place to address these risks. APRA may request additional material where it considers it necessary in order to assess the impact of the outsourcing arrangement on SBIA's risk profile.

SBIA must also consult with APRA prior to outsourcing a material business activity to a service provider where the outsourced activity will be conducted outside of Australia i.e., 'offshoring'. The notification is to allow APRA to satisfy itself that the impact of the offshoring arrangement has been adequately addressed as part of the institution's risk management framework.

If, in APRA's view, the offshoring agreement involves risks that the APRA-regulated institution is not managing appropriately, APRA may require the APRA-regulated institution to make other arrangements for the outsourced activity as soon as practicable.

SBIA will advise APRA of any significant problems that have the potential to materially affect the outsourcing arrangement and, as a consequence, materially affect SBIA's business operations, profitability or reputation, the interests of beneficiaries, or materially affect any connected entities of SBIA. SBIA will also notify APRA where an outsourcing agreement is terminated as soon as possible and within reasonable period and advise APRA of the transition arrangements and future strategies for carrying out the outsourced material business activity.

14. EMERGENCY SERVICE PROVIDER APPOINTMENTS

Where SBIA enters into Material Business Activity agreement as a result of an unexpected extreme event that results in:

- (i) SBIA invoking its Business Continuity Plan
- (ii) The sudden financial or operational failure of an existing service provider

This Policy needs only be complied with to the extent that is reasonably possible having regard to the nature of the extreme event.

15. COMPLIANCE AUDITS

The Internal Audit team must review compliance with the Policy annually and report its findings to the Risk Committee, if any.

16. REVIEW AND UPDATE OF THIS POLICY

Internal review of document

VP Operations together with Senior Managers within the business is responsible for

- (i) Updating this Policy, and any related documents to reflect changes considered necessary, or changes in the law or when otherwise appropriate but at least annually.
- (ii) Submitting the results of the review and any changes to the Policy to the Risk Committee and seeking Risk Committee approval for any changes

Business Continuity

Wherever possible, SBIA will develop contingency plans – for example, to enable an outsourced business activity to be provided by an alternative service provider or brought in-house if required. These are to be implemented in the branch Business Continuity Policy and Plan and branch Information Technology and Information Security Policy and in applying the Head office procedures.

Where SBIA invokes its Business Continuity Policy and Plan as the result of an unexpected event or there is a sudden financial or operational failure of an existing service provider, and, as a result, SBIA enters into a new outsourcing agreement, SBIA will comply with the minimum outsourcing agreement (refer section 9), monitoring (refer section 12) and APRA notification requirements (refer section 13), as outlined within this policy with regards to the nature of the extreme event or sudden failure.

The processes to assess the outsourcing arrangement apply in any case, even whether SBIA has being entered into a new outsourcing agreement due to sudden financial or operational failure.

Internal/external audit: Compliance

The management of arrangements for the outsourcing of material business activities will be part of SBIA' internal audit plans from time to time as determined by the Risk Committee. Among other things, the internal audit function may be directed to:

- Ensure compliance with relevant policies and procedures
- Ensure appropriate internal controls are in place
- Ensure that reporting is adequate, accurate and timely

It will be a requirement of all outsourcing arrangements that SBIA' auditors may also have access to the third-party provider for the purpose of testing compliance with these matters. SBIA will require that records held by the service provider are adequate for audit trail purposes and that those records are made readily available to SBIA, its auditors, and when necessary, regulators.

SBIA' internal auditors must also review any proposed arrangements for the outsourcing of material business activities and incorporate findings in their report. APRA may also request SBIA' external auditors to assess the risk management processes in place with respect to an arrangement to outsource a material business activity.

REVIEW

It is the responsibility of management to ensure adequate practices are in place for the effective oversight and management of outsourcing arrangements including:

- Risk Committee review and approval of this outsourcing policy
- Appropriate review of compliance with this outsourcing policy

- Effective monitoring of outsourced relationships

SBIA' VP Operations shall review this policy annually and take into account

- Changes in reporting lines or business unit responsibilities
- Changes resulting from legislative or regulatory amendments
- Improvements identified through experience
- Improvements resulting from the identification of systemic or recurring problems

SBIA will require records held by the service provider including related body corporate are adequate for audit trail purposes and that those records are made readily available to SBIA, its auditors, and when necessary, regulators.

The Risk Committee will consider any recommendations arising from the annual review and will be required to approve any proposed revision of the policy before it becomes effective

Appendix B - Outsourcing Business Case

This template is to be completed by SBIA if the outsourced activity is deemed material in accordance with the assessment framework set out in section 3.1.

| | |
|---|--|
| Describe the activity to be outsourced. | |
| Does the activity involve an information asset*? | If yes – consider confidentiality, integrity and availability. |
| Does the activity involve cloud computing#? | If yes – refer to APRA’s Information Paper: Outsourcing involving cloud computing services September 2018. |
| Why is activity deemed material? | |
| Is the arrangement 'off shoring' | If yes - notify APRA before finalising contract. |
| Rationale or benefits for outsourcing. | |
| Estimated annual value of outsourcing- (contract) | |
| Estimated value and/or number of transactions outsourced. | |
| Estimated contract period. | |

* Information asset means information and information technology, including software, hardware, and data (both soft and hard copy).

APRA’s definition of cloud computing is providing scalable technology services through the sharing of IT assets(including computer processing, network, storage and software). Including public cloud, virtual private cloud and community cloud arrangements, but excludes arrangements where IT assets are dedicated to a single APRA-regulated entity (i.e., private cloud).

Cost Benefit Analysis

| | |
|---|--|
| Initial set up costs and ongoing annual costs | |
| Tangible benefits. | |
| Non-tangible benefits: | |
| ROI / payback period | |

Selection Process

| | |
|--|--|
| Name of organisations tendering or selected for evaluation.' | |
| Selection criteria used (measurable -service level, price, support etc.) | |
| Recommended service provider | |
| Reasons for selecting the recommended outsource provider. <Refer to strategy, alternative options, rationale should refer to any additional risks detailed below and if IT refer to an architectural roadmap/IT risk management plan> | |

State Bank of India, Australia

Alternative Service Providers

| | |
|---|--|
| <u>Organisation name:</u> <u>Contact name:</u> <u>Contact number:</u> | |
| <u>Organisation name:</u> <u>Contact name:</u> <u>Contact number:</u> | |

Risk Management

Where an outsourced arrangement is being entered into with a related body corporate, an assessment should be made of whether the risk profile of that business activity would be impacted, and any mitigation measures and SBIA responsibility.

To include consideration of:

<Key risks, organisational capability and training

Monitoring to be performed;

| Key Risks | Key Mitigation Measures | Responsibility | Impact on risk profile |
|---|---|----------------|------------------------|
| Strategic Risk | | | |
| Reputational Risk | | | |
| Compliance Risk | < An APRA-access clause in the outsourcing agreement> | | |
| Operational risk (to include Access risk) | | | |
| IT Risk (assets in scope including sensitivity and criticality) | | | |
| Legal Risk | | | |
| Exit Strategy risk | | | |
| Country Risk | | | |
| Contractual and Counterparty Risk | | | |
| Concentration Risk | | | |

<Define:

- Regular contact with the service provider. This will range from daily operational contact to Senior Manager involvement.
- Document the procedure for regular monitoring of the performance of the service provider
- If material, how and where the service levels will be recorded and other aspects of the performance.
- Where relevant site visits to the service provider be relevant detail frequency>

SBIA person responsible for monitoring; and oversight of the outsourced provider.

State Bank of India, Australia

Outsourcing Policy

Frequency of review of outsourcing arrangement must be at least annually unless a trigger event occurs.

Due Diligence

- Financial ability considered (financial stability, credit rating, annual report etc.)
- Technical ability considered (staff expertise, industry experience, resources available, services offered, length of activity, continuous service, ongoing support)
- Capacity to deliver service required by State Bank of India Australia (reference checks performed & documented, value for money, dedicated account manager, periodic monitoring processes, predetermined performance criteria)
- Formal service agreement/contract that meets SBIA minimum contract requirements completed & approved

High Level Contingency Plan

In the event the service provider is not able to provide the service, SBI Australia:

- 1)
- 2)

<List out above the alternative arrangements, transition plans, jurisdictional, contractual or technical considerations which may inhibit operational oversight or business continuity. Include in the above the resource and approximate time required for a program of work>

Reviewed & Approved by:

CEO, Australia

Name

Date

Senior Management (Responsible Person) Role

Name

Date

<VP Department Head>

If Information Technology related

<CISO/IT Manager>

Name

Date

Appendix C

Business Activities Which Are Currently Outsourced in SBI Australia:

(*Sample only: All scores to be updated once Policy is approved)

| Material business activity | Outsourced provider | Score (out of 600 as at April 2023) | Existing Classification |
|---|--|-------------------------------------|-------------------------|
| Digital ID Verification for customers (primary service) | Equifax Australia Pty Ltd | 516 | Material |
| Verification of remittance customers only (secondary service) | Australia Post Corporation | 174 | Low |
| Provision of core banking IT systems | SBI Global IT Centre, Mumbai, India | 510 | Material |
| Website Hosting | Melbourne IT Pty Ltd (ARQ Group) | 498 | Material |
| Document Storage | Zirco Data (Utlimo Document Storage Pty Ltd) | 144 | Low |
| Provision of Internal Audit services | Findex Australia Ltd | 318 | Material |
| Treasury Back Office Functions | SBI Global- Centralised Global Back Office, Kolkata, India | 384 | Material |
| ANZ Banking Pty Limited | Domestic Clearing Services | 420 | Material |

Appendix D

Annual Reporting by Outsourced Service Providers

| | | |
|----|---|--------|
| 1 | Name of the Service Provider | |
| 2 | Types of Services Provided | |
| 3 | Compliance with Performance Standards | |
| 3a | Have you faced any financial difficulties which may affect your ability to provide the service? | Yes/No |
| 3b | Any major Changes in your employees, agents or sub-contractors ? (If Yes : Provide full details as an annexure demonstrating that the changes will not impact the services that are being provided) | Yes/No |
| 3c | Uptime of the Services Provided (in % Terms) – Provide reasons if uptime is less than 99% (Please attach a copy of the uptime dashboard report if available) (If applicable) | |
| 3d | Volume and broad nature of complaints/errors received during the quarter. | |
| 3e | Average Time taken in resolution of Complaints/errors reported by SBI Australia (Attach list of Incidents/tickets with raising and closing dates) | |
| 3f | Recent date of testing your Business Continuity Management and Disaster Recovery (Provide the date and attach a copy of the BCP/DR test report) | |
| 3g | Any changes in your security/risk management framework? <For security refer to confidentiality, integrity and availability> <For risk management refer to tolerances, service strategy, including availability, recovery and provider failure considerations> | |
| 3h | Is there any material changes undertaken or proposed that may affect the present level of services being provided? (If Yes – Furnish full details there of) | Yes/No |
| 3i | Attach a copy of latest Attestation/Latest Internal or other Relevant Audit Reports on the Operations/Services provided by the Service Provider. | |

Appendix E: Policy change matrix

| Para | Addition/ Deletion/ Amendment | Existing wording | Updated wording | Reference |
|-------------------------------------|--|--|---|--------------------------------------|
| 15 Compliance Audit | Amendment | The Internal Audit team must review compliance with the Policy and report its finding to Risk Committee at least once every three years. | The Internal Audit team must review compliance with the Policy annually and report its findings to the Risk Committee, if any. | To align with the current practices. |
| 16 Review and Update of this policy | Amendment | Updating this Policy, and any related documents to reflect changes considered necessary, or changes in the law or when otherwise appropriate but at once in every three years. | Updating this Policy, and any related documents to reflect changes considered necessary, or changes in the law or when otherwise appropriate but at least annually. | To align with the current practices. |