[Your Company Name]

Outsourcing & Supplier Policy

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Revision History

VERSION	REVISION DATE	SECTION REVISED	REASON FOR REVISION	DESCRIPTION OF REVISION

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1 POLICY STATEMENT

[Your Company Name] *(hereinafter referred to as the **"Company"**)* outsources various operational functions to third parties where there is a business need or where the outsourcing of such functions is a legal, statutory, contractual or regulatory requirement. In doing so, we understand that additional risk can be posed to both business and customer, and as such we are committed to ensuring the continued quality, high standards and compliance of any outsourced processes.

Where any task or activity is outsourced, the Company employs structured and robust assessments, due diligence and monitoring measures and procedures, both prior to entering into any supplier contract and for the duration of the business relationship. Our dedicated procedures are used to initiate, maintain and monitor the operational function of the outsourced process as well as in assessing the expertise, quality and ongoing compliance of the supplier or vendor.

The Company is committed to providing a professional, reliable and transparent service and verifying that any third party service provider(s) is suitable, competent and trustworthy prior to forming a business relationship. We also ensure that where a function is outsourced, we have back up service providers in place should there be a failure with the primary provider.

2 PURPOSE

The purpose of this policy is to provide the Company's statement of intent and objectives for how we manage and monitor our outsourced business processes and the supplier carrying out those functions. It also provides step by step procedures and guidance for staff and associated entities with regard to the Company's processes and methodology for outsourcing.

The Company has set appropriate and adequate objectives to enable it to meet its legal, regulatory and ethical obligations for outsourced processes and to enable our staff to identify, manage and mitigate any associated financial, operational and business risks. We only ever use those providers whom we have vetted and verified as being compliant, competent, suitable and reliable and we ensure the continued provision of such attributes through due diligence checks and ongoing monitoring.

3 SCOPE

The policy applies to all staff *(meaning permanent, fixed term, and temporary staff, any third-party representatives or sub-contractors, agency workers, volunteers, interns and agents engaged with The Company in the UK or overseas)* within the organisation and has been created to ensure that staff deal with the area that this policy relates to in accordance with legal, regulatory, contractual and business expectations and requirements.

4 WHAT IS OUTSOURCING?

For the purposes of this document*, 'outsourcing'* refers to any business function or service that is provided by, or contracted out to an external, non-associated provider or supplier. Examples of

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commonly outsourced functions include postal and mailing services; wastepaper disposal and shredding; IT; disaster recovery and translations.

Outsourcing usually happens for 3 reasons:-

- a firm is unable to complete a function or service in house, possibly due to constraints on resources, time, space or the skill level needed to complete the task.
- it is more cost effective to outsource certain functions or processes (e.g. mailing or waste disposal).
- there is a legal or regulatory requirement for outsourcing (i.e. in debt collection where only licensed legal professionals or courts can carry out certain tasks).

Business Process Outsourcing (BPO) is the specific outsourcing of business processes (or services) to assets or people, and has become a common part of most businesses in today's market. There are 2 main definitions of BPO:-

- **Horizontal BPO** - horizontal BPO focuses on delivering generic support and process functions that relate to all industries as a general part of business. The supplier or vendor specialises in carrying out particular functions across multiple industry domains, such as recruitment, mailing, waste disposal, HR or accounting.
- **Vertical BPO** - vertical BPO is more industry specific with the supplier or vendor focusing on a limited number of sectors or industries, with the functions provided being industry specific. Vertical suppliers can be found in industries such as financial services, retail and healthcare and aim to be experts in the industry and functions that they provide.

Where a regulated firm outsources any of its business functions, it has a duty to its staff, customers and regulators to ensure that the function is still being completed compliantly, ethically and satisfactorily. It is ultimately the firm's responsibility to ensure compliance, even when the function or process is being completed elsewhere, which is why strict and robust outsourcing policy and procedures are necessary.

5 OBJECTIVES

The Company confirms that in relation to outsourcing business services or processes and when using the services of third-parties, lead generators and/or introducers, we will ensure that the below objectives are met through implementing procedures, systems and controls.

The Company agrees to: -

- avoid any undue operational risks when relying on a service provider for all or part of an operational function.
- not to outsource any important operational risk that may impair the quality of the firm's internal control or the regulators' ability to monitor the firm's compliance with our obligations under the regulatory system.
- implement policies and procedures which govern the use of outsourcing and any service provider used.

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6 Risk Assessment

Prior to outsourcing any business service or function, the Company identifies any operational, financial and/or business risks that could be present by using an external provider or outsourcing a specific service or process. These risks are assessed using a Risk Matrix and assigned an impact/probability rating which forms part of the Company's decision on whether to proceed.

Other risks that can be associated with outsourcing are: -

- Financial
- Reputation
- Service/Product Quality
- Delays
- Timeframes
- Rights of individuals
- Ability to Comply with Regulatory Requirements
- **[Add/Delete as applicable]**

We have dedicated risk assessment procedures detailing how we identify, assesses, manage and monitor risks. Please refer to our ***Risk Management Policy*** for further information.

7 Due Diligence

The Company uses **[WebCHeck/Insert Search]** searches, individual/director identity checks and a comprehensive ***Due Diligence Questionnaire and Checklist*** to ensure that any service provider considered for a business relationship is fit for purpose, reliable, suitable, competent, qualified and experienced.

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We have a dedicated Due Diligence Program consisting of a policy, procedures, controls and questionnaires for Know Your Customer and verification of all business relationships. Please refer to our ***Due Diligence Policy*** for further information.

7.1 Outsourced Functions Register

For any process, function or service that is outsourced, the Company maintains a register of the details relating to each provider for regulatory and monitoring purposes. Our ***Outsourced Functions***

Register enables us to meet our obligations under this policy and to ensure that all outsourced functions are handled according to our own strict procedures and protocols.

Our ***Outsourced Functions Register*** is located in an external document at **[add reference or hyperlink to register which has been included in your pack]**

8 PROCEDURES

8.1 ASSESSMENT & ANALYSIS

Prior to any outsourcing agreement being made, the below procedures must be followed and recorded for each new relationship.

1. The service/function being considered for outsourcing must be assessed to see if it is a general business activity or involves all or part of a regulated activity.
    a. Where the service/function to be outsourced is part of a regulated activity, the firm must also be assessed and monitored for their compliance with the FCA regulations in the applicable area.
2. An *'outsource risk/benefit analysis assessment'* is completed for the function/service under consideration, which must include the below information: -
    a. Possible efficiency/monetary/quality gains by outsourcing the service.
    b. List of detailed risks associated with outsourcing the service.
    c. List of defined benefits and downsides to outsourcing the service.
    d. Departments and/or staff who will be affected by/involved in the outsourced function.
    e. Arrangement for monitoring the quality and compliance of the outsourced functions and supplier.
    f. Scope and timeframe for outsourcing the process or service.
    g. Internal staff changes, and additional training needed in relation to the outsourcing.
    h. Implementation of any new systems.
3. **[Add/Delete as applicable]**

8.2 PREPARATION & SELECTION

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8.3 EVALUATION

Once all completed RFP's have been received, we enter into the evaluation stage of the outsourcing process. At this stage, any vendors who are unable to meet the criteria and requirements set out in the RFP are discounted from further consideration. The evaluation stage takes those from the RFP list through to the short-list stage where we choose a primary and secondary provider for the outsourced services and/or process.

1. The project lead for the specific outsourcing project handles the evaluation stage and communicates with the vendor POC as noted on the RFP's.
2. All answers to the RFP questions are assessed and any clarifications obtained from the relevant POC and are noted on an attachment to the RFP for future reference.
3. We employ a scoring process for evaluating the RFP's so that a comparable assessment of each vendor can be made.
4. Vendors who are discounted at this stage due to low scoring, are contacted in writing within 4 weeks and provided with a summary of why they have been unsuccessful in bidding for this project.
5. Firms exceeding the minimum set score for the relevant project are added to a short-list and further risk assessed until we select a primary and secondary provider.
6. At this stage, we start due diligence checks on the selected vendors.
7. **[Add/Delete as applicable]**

8.4 ALLOCATION & DUE DILIGENCE

Once the primary and secondary vendor have been chosen, we draft up a Service Level Agreement applicable to the chosen vendor and service/process being outsourced and a binding contract between ourselves and the vendor. Negotiating any clauses or requirements is carried out at this stage by the project lead and vendor POC, until both firms agree to commit and proceed.

1. One vendor is chosen as the dedicated (primary) service provider and a second vendor placed in stand-by (secondary) position to ensure compliance and continued service in the event of any business failure or loss of use of the primary provider.
2. Both vendors are added to the Supplier List and Outsourced Functions Register.
3. A due diligence audit and questionnaire are completed for both the primary and secondary providers prior to any agreement being entered into. In addition to the due diligence questionnaire, the company ensures that it considers the:
    a. company's reputation and history
    b. quality of services provided to other customers
    c. number and competence of staff and managers
    d. financial stability of the company and commercial record
    e. retention rates of the company's employees
    f. company's adherence to relevant regulatory requirements and laws

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We have a dedicated ***Processor Agreement*** that is used for all outsourced functions relating to personal information and obtain company documents, certifications, references and ensure that the processor is adequate, appropriate and effective for the task we are employing them for.

Our Processor Agreements outline: -

- The processors data protection obligations.
- Our expectations, rights and obligations.
- The processing duration, aims and objectives.
- The data subjects' rights and safeguarding measures.
- The nature and purpose of the processing.
- The type of personal data and categories of data subjects.

We also ensure that we comply fully with Articles 28-29 of the UK GDPR and document in our agreements, ***that the processor: -***

- Process the personal data only on our documented instructions.
- Seek our authorisation to transfer personal data to a third country or an international organisation (unless required to do so by a law to which the processor is subject).
- Shall inform us of any such legal requirement to transfer data before processing.
- Ensure that persons authorised to process the personal data have committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality.
- Take all measures to security the personal data at all times.
- Respects, supports and complies with our obligation to respond to requests for exercising the data subject's rights.
- Assists the Company in ensuring compliance with our obligations for data security, mitigating risks, breach notification and privacy impact assessments.
- When requested, deletes or returns all personal data to the Company after the end of the provision of services relating to processing, and deletes existing copies where possible.
- Makes available to the Company all information necessary to demonstrate compliance with the obligations set out here and in the contract.
- Allows and supports audits, monitoring, inspections and reporting as set out in the contract.
- Informs the Company immediately if any breaches, non-compliance or inability to carry out their duties as detailed in the contract.

8.7 OUTSOURCING COMMENCEMENT

Upon completion of the agreement, the initial outsourcing commences on a **[7/14/21/28]** day trial with weekly monitoring checks. ***The process for outsourcing is as below: -***

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To ensure the productivity, effectiveness and suitability of the outsources service or process, the Company ensures that the below key principles are monitored and met for the duration of the relationship: -

1. Compliance with the regulation, contractual and legal requirements is adhered to and maintained.
2. Continued measurements and assessment of the benefits and suitability against the projects initial criteria.
3. Ongoing risk assessments with any business and/or vendor changes and staff retention
4. Training of new staff for both our business and the vendor
5. Continual review and assessment of security and data protection standards and requirements
6. Ongoing assessment that the vendor meets and achieves the SLA requirements and project criteria.
7. Audit and benchmarking measures and controls implemented, used and maintained.
8. Continued communication with the vendor and specific POC throughout the business relationship.
9. Ensuring records and documentation are maintained and retained as per the SLA and legal requirements.
10. Dispute resolution and complaint monitoring

10 Responsibilities

The Company has a corporate and regulatory obligation and responsibility to ensure that any service or business function that it outsources to a third-party service provider, is not subject to any operational risks or that there is not a loss of quality in the service provided.

[Designated Person] has overall responsibility for handling all service provider contracts, SLA's, due diligence checks, audits and monitoring and for implementing and monitoring the firm's procedures in relation to outsourcing. Management is responsible for designating suitable owners of business processes that are outsourced, overseeing the outsourcing activities and ensuring that this policy is followed. They also have full responsibility for mandating commercial or security controls to manage the risks arising from outsourcing.

Where the outsourced service or function relates to data protection or the personal information of an individual, the Data Protection Offer or lead is always involved in the planning, agreement and monitoring stages.

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