VSJ INVESTMENTS PRIVATE LIMITED
OUTSOURCING POLICY

Version	Updates	Reviewed Date	Approved by
2024	Outsourcing Policy	21/05/2024	Board of Directors

1. **PREAMBLE**

This Policy shall be termed as the Outsourcing Policy of VSJ Investments Pvt Ltd ('the Company'). Outsourcing involves transferring a significant amount of management control and decision-making to the external supplier. Buying products from another entity is not outsourcing or out-tasking but merely a vendor relationship. Likewise, services available from a provider are not necessarily outsourcing or out-tasking. Outsourcing always involves a considerable degree of two-way information exchange, coordination and trust.

Outsourced financial services include processing of applications (loan origination), document processing, marketing and research, supervision of loans, data processing and back office-related activities, etc. The outsourcing business is often characterized by expertise not inherent to the core of the client organization.

2. **OBJECTIVE**

The Policy incorporates the criteria for selection of service providers, materiality of services outsourced, delegation of authority depending on risks and materiality, and systems to monitor and review the operations of the activities outsourced. The Policy shall apply to material outsourcing to service provider(s) and mutatis mutandis to activities subcontracted by the service providers.

3. **DEFINITIONS**

Unless otherwise defined by the Reserve Bank of India in its various directions, guidelines issued from time to time or apparent from the context, the following terms shall have the meaning as assigned herein below, and cognate expressions shall be construed accordingly:

Board	Shall mean the Board of Directors of the Company;
Business Function	Shall mean one or more functions, customarily or by statute required or expected to be performed by the Company, excluding any activities, tasks or functions which may, for the reason of business expediency, costs, efficiency, expertise or otherwise typically be handled by external agencies engaged by the Company and working for or for the benefit of the Company;
Company	Shall mean VSJ Investments Pvt Ltd or the Company;
Confidential Information	Includes but is not limited to all proprietary and confidential information of the Company or its holding company, subsidiaries, affiliates, or licensees (if any), including without limitation all information, in any form, tangible or maintained in electronic form, including without limitation applications, charts, data, documents, models, worksheets, formulae, policies, templates, forms, instruments, papers or statements, regarding the Company or its holding company, subsidiaries, affiliates, or licensees and also includes information on the customers of the Company or the customers of any of its subsidiaries, affiliates, or licensees, including without limitation the accounts, account numbers, names, addresses or any other personal identifiers of such customers, or any information derived therefrom;

Compliance Officer	Shall mean such person as authorised by the Board to ensure compliance with the RBI regulations;
Customer	Shall mean any existing or prospective customers of the Company;
Functional Department	Shall mean the specific department of the Company performing and undertaking any Business Function within the organization;
Functional Head	Shall mean the head of a functional department;
Grievance Redressal Machinery	Shall mean the Grievance Redressal Machinery constituted by the Company;
Material Outsourcing	Shall mean such outsourcing activities that have been identified and classified according to the Policy;
Non-Material Outsourcing	Shall mean such outsourcing activities other than material outsourcing;
Outsourcing	Shall refer to the Company'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 business functions pertaining to the business of financial services, on a continuing basis, including agreements for a limited period that would normally be undertaken by the Company itself, now or in the future;
Policy	Shall mean this Outsourcing Policy, as amended from time to time;
RBI Directions	Shall mean Reserve Bank of India Master Direction - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016, along with any amendments made thereto from time to time;
Senior Management	Shall mean personnel of the Company who are members of its core management team excluding the Board but including the Functional Heads;
Service Provider	Shall mean any person or entity appointed or proposed to be appointed by the Company to carry out the outsourcing activities that may either be a member of the group/conglomerate to which the Company belongs or an unrelated party.

4. ROLE OF THE BOARD/COMMITTEE OF THE COMPANY

a) The Board/Committee, as the apex supervisory organ of the Company, shall have the overall responsibility to settle the Company's approach towards outsourcing, especially any material outsourcing, the administrative framework for the aforesaid, and evaluation and mitigation of any risks inherent in material outsourcing.
b) The Board/Committee may, from time to time, review this Policy and seek reports on the implementation thereof or exceptions to the aforesaid.
c) The Board/Committee shall have the right to ratify any deviations from the Policy.
d) Setting up suitable administrative framework of senior management for the purpose of these directions.
e) Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness.

5. **RESPONSIBILITIES OF SENIOR MANAGEMENT**
   a) Ensure contingency plans, based on realistic and probable disruptive scenarios, are in place and tested. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board.
   b) Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourced work.
   c) Reviewing periodically the effectiveness of policies and procedures.
   d) Communicating information pertaining to material outsourcing risks to the Board in a timely manner.
   e) Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested.
   f) Ensuring that there is independent review and audit for compliance with set policies.
   g) Undertaking periodic review of outsourcing arrangements to identify new material of outsourcing risks as they arise.

6. **EVALUATION OF RISK**
   The Company shall evaluate and guard against the following risks in outsourcing:
   i) Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of Company.
   ii) Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of Company.
   iii) Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.
   iv) Operational Risk – Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/or to provide remedies.
   v) Legal Risk – Where the Company is subjected to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.
   vi) Exit Strategy Risk – Where the Company is over-reliant on one firm, the loss of relevant skills in the Company itself preventing it from bringing the activity back in-house and where Company has entered into contracts that make speedy exits prohibitively expensive.
   vii) Counterparty Risk – Where there is inappropriate underwriting or credit assessment.
   viii) Contractual Risk – Where the Company may not have the ability to enforce the contract.
   ix) Concentration and Systemic Risk – Where the overall industry has considerable exposure to one service provider and hence the Company may lack control over the service provider.
   x) Country Risk – Due to the political, social or legal climate creating added risk.

7. **OUTSOURCING**
   The Reserve Bank of India has issued directions on Outsourcing of Financial Services by Non-Banking Financial Companies, facilitating adoption of sound and responsive risk management practices while outsourcing the activities.

   For the purposes of this Policy, outsourcing activities shall refer to outsourcing of financial services only. Any kind of technology-related issues and activities not related to financial services, such as usage of courier, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc. are not covered under the purview of this Policy.

8. RBI GUIDELINES ON OUTSOURCING

Pursuant to RBI Directions on Managing Risk and the Code of Conduct on Outsourcing Financial Services by Non-Banking Financial Companies with a view to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risk arising from outsourcing activities.

The Directions as aforesaid are applicable to material outsourcing arrangements as defined in Para 14 of this Policy which may be entered into by the Company with a service provider, who may be either a member of the group/conglomerate to which the Company belongs or an unrelated party, located in India or elsewhere.

Such arrangements would be subject to on-site/off-site monitoring and inspection/scrutiny by the RBI.

9. ACTIVITIES THAT SHOULD NOT BE OUTSOURCED

The Company shall not outsource core management functions including Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening loan accounts, according sanction for loans and management of the investment portfolio.

However, for a company in a group/conglomerate, these functions may be outsourced within the group subject to compliance with instructions in Para 6. Further, while the Internal Audit function itself is a management process, the internal auditors can be on contract.

10. MANAGEMENT OF RISK

10.1. The Company shall ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from the outsourced activities to avoid systemic risks and financial losses or loss of reputation of the Company in the event of failure of the service provider to provide a specified service, breach in security/confidentiality, or non-compliance with legal and regulatory requirements by the service provider.

10.2. No part of the outsourced activity shall be subcontracted unless and otherwise specifically stipulated in the contract explicitly.

10.3. Access to various types of confidential information would be restricted to areas required to perform outsourced functions only and in no case should details of the customers and other sensitive data be shared with the service providers so as to impair confidentiality.

11. EXERCISING DUE-DILIGENCE

In considering or renewing an outsourcing arrangement, appropriate due diligence shall be performed to assess the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors. The Company shall consider whether the Service Providers' systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it. The Company shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider. Where possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

Due Diligence shall involve an evaluation of all available information about the Service Provider, including but not limited to the following:

1. Past experience and competence to implement and support the proposed activity over the contracted period;
2. Financial soundness and ability to service commitments even under adverse conditions;
3. Business reputation and culture, compliance, complaints and outstanding or potential litigation;
4. Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and ensuring due diligence by the service provider of its employees;
5. Business continuity arrangements and recovery plans;
6. Due diligence of employees, representatives and sub-service providers, as well as employee training;
7. Wherever possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

12. LEGAL OBLIGATIONS AND REGULATORY AND SUPERVISORY REQUIREMENTS

- It should be ensured that the ultimate control of the outsourced activity rests with the Company. The following factors, inter alia, need to be specially looked into:
  - Contingency arrangements are in place for critical supplies, services and the outsourcing activity itself;
- It will be obligatory on the part of the service provider / outsourcing agent to inform change in management and the key persons monitoring the arrangements to ensure continuity of operations.
- Due diligence in relation to outsourcing to consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration should be ensured. Outsourcing arrangements should not affect the rights of a customer against the Company, including the ability of the customer to obtain redressal as applicable under relevant laws.
- Outsourcing, whether the service provider is located in India or abroad should not impede or interfere with the ability of the company to effectively oversee and manage its activities or impede the RBI in carrying out its supervisory functions and objectives.
- Grievance Redressal Machinery shall be as per details specified in the Grievance Redressal Policy of the Company, which in no way should be compromised on account of outsourcing.
- The service provider, if not a group company of the Company, shall not be owned or controlled by any director of the Company or the director's relatives. These terms have the same meaning as assigned under the Companies Act, 2013.

13. MATERIAL OUTSOURCING

Material Outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability or customer service. The criteria for classification as 'Material' are as follows:

a) The Functional Head would identify and classify each of the activities outsourced/ proposed to be outsourced as 'Material Outsourcing' and 'Non-Material Outsourcing' based on the below-mentioned parameters.
b) Where the Company relies on service provider(s) to perform the key financial functions such as processing loan applications, verifications, approvals, etc. on a continuous basis;
c) Where the Company is exposed to a variety of risks with respect to the outsourced activity;
d) The nature of the activity outsourced is such that the performance of the service provider can impact significantly, directly or indirectly, the earnings, solvency, liquidity, funding capital and risk profile of the Company;
e) The nature of the activity is such that failure on the part of the service provider to perform the service efficiently as per the contract is likely to significantly impact the Company's reputation and brand value;
f) The outsourced activity, if disrupted, has the potential to significantly impact business operations, the reputation and stability of the Company;
g) The outsourced activity has an impact on data privacy and security. For instance, where access to any confidential information has to be extended to employees/representatives of the service provider;
h) The cost of outsourcing an activity as a proportion to the total operating costs of the Company as of the previous financial year is more than 15%;
i) An arrangement involving significant sharing of confidential information;
j) In case the activity outsourced satisfies any of the above criteria or similar criteria and point (h) indicating the materiality of the activity to the business model of the Company, the activity outsourced would be treated as 'Material Outsourcing';
k) The senior management shall be responsible for identifying any proposed outsourcing and determining whether the aforesaid is Material Outsourcing or Non-Material Outsourcing;

The Board/Committee and senior management must undertake a periodic review of their outsourced processes to identify new outsourcing risks as they arise.

14. OUTSOURCING AGREEMENT

The terms and conditions governing the contract between the Company and the service provider shall be carefully defined in written agreements and vetted by the Company'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 the Company 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 the legal relationship between the parties, i.e. whether agent, principal or otherwise. Some of the key provisions of the contract shall be the following:

1. The contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
2. The Company must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
3. The contract shall provide for continuous monitoring and assessment by the Company of the service provider so that any necessary corrective measure can be taken immediately;

4. A termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
5. 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;
6. There must be contingency plans to ensure business continuity;
7. The contract shall provide for the prior approval/consent of the Company w.r.t. the use of subcontractors by the service provider for all or part of an outsourced activity;
8. It shall provide the Company with the right to conduct audits of the service provider whether by its internal or external auditors or through agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings pertaining to the service provider in conjunction with the services performed for the Company;
9. Outsourcing agreements shall include clauses to allow the RBI or persons authorised by it to access the Company's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time frame;
10. The outsourcing agreement shall also include a clause to recognize the right of the RBI to cause an inspection of a service provider and its books and accounts by one or more of its officers or employees or other persons;
11. The outsourcing agreement shall also provide that the confidentiality of a customer's information shall be maintained even after the contract expires or gets terminated and the Company shall have necessary provisions to ensure that the service provider preserves documents as required by law and takes suitable steps to ensure that its interests are protected in this regard even post termination of the services.

15. CONFIDENTIALITY AND SECURITY

- Public confidence and customer trust in the Company is a prerequisite for the stability and reputation of the Company. Hence, the Company shall seek to ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider.
- Access to customer information by staff of the service provider shall be on 'need to know' basis, i.e. limited to those areas where the information is required in order to perform the outsourced function.
- The Company shall ensure that the service provider is able to isolate and clearly identify the Company's customer information, documents, records and assets to protect the confidentiality of the information. In instances, where the service provider acts as an outsourcing agent for multiple companies / NBFCs, care shall be taken to build strong safeguards so that there is no commingling of information/documents, records and assets.
- The Company shall review and monitor the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches.
- The Company shall immediately notify the RBI in the event of any breach of security and leakage of confidential customer-related information. In these eventualities, the Company would be liable to its customers for any damages.

16. REDRESSAL OF GRIEVANCES RELATED TO OUTSOURCED ACTIVITIES

- The Company has constituted a Grievance Redressal Machinery. The name and contact number of the designated grievance redressal officer of the Company is made known. The designated grievance officer should ensure that genuine grievances of customers are redressed promptly without involving delay and the aforesaid officer will also deal with the issues relating to services provided by the outsourced agency.
- A time limit of 30 (thirty) days may be given to customers for preferring their complaints/grievances. The grievance redressal procedure of the Company and the time frame fixed for responding to the complaints are well defined in the Company's Grievance Redressal Policy.

17. REPORTING REQUIREMENTS

The Company would be responsible for submitting Suspicious Transactions Reports to the FIU or any other competent authority in respect of the Company's customer-related activities carried out by the service providers.

18. RESPONSIBILITIES OF DIRECT SALES AGENT (DSA) / DIRECT MARKETING AGENT (DMA) / RECOVERY AGENTS

- The Company shall ensure that the DSA/DMA / Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer, etc.
- The Company shall put in place a Board-approved Code of Conduct for DSA/DMA / Recovery Agents and obtain their undertaking to abide by the code. In addition, recovery agents shall adhere to extant instructions of the Fair Practices Code of the Company as also their own code for collection of dues and repossession of security. It is essential that recovery agents refrain from action that could damage the integrity and reputation of the Company and that they observe strict customer confidentiality.
- The Company and its agents shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

19. BUSINESS CONTINUITY PLANNING

The concerned functional department should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. The Functional department should adopt sound business continuity management practices as issued by the RBI and as per the Business Continuity Planning and policies of the Company and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis. The functional department, while framing a viable contingency plan, should consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in case of an emergency (for example, where the number of vendors for a particular service is extremely limited), including understanding the costs, time and resources that would be involved, and take suitable preparatory action.

Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines. Each outsourcing entity shall have independent and adequate Disaster Recovery and Business Continuity Planning systems in place and shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level. The Company shall ensure that the third party maintains appropriate IT security and robust disaster recovery capabilities. Periodic review should be done by the Company of the said Disaster Recovery and BCP systems.

The Company shall ensure that service providers are able to isolate the Company's information, documents and records, and other assets. This is to ensure that in appropriate situations, all documents, records of transactions and information given to the service provider, and assets of the Company can be removed from the possession of the service provider in order to continue its business operations, or can also be deleted, destroyed or rendered unusable.

20. MONITORING AND CONTROL OF OUTSOURCED ACTIVITIES

- The Company 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 the 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 the Company shall be maintained. The records shall be updated promptly and half-yearly reviews shall be placed before the Board
- Regular audits by either the internal auditors or external auditors of the Company shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the Company compliance with its risk management framework and the requirements of these directions.
- Company 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 termination shall be publicized by displaying a notice at a prominent place in the branch, posting it on the website, and informing customers so as to ensure that customers do not continue to deal with the service provider.

- Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between the Company, the service provider and its subcontractors. In such cases, the Company shall ensure that reconciliation of transactions between the Company and the service provider (and/or its subcontractor) is carried out in a timely manner. An ageing analysis of entries pending reconciliation with outsourced vendors shall be placed before the Audit Committee of the Board (ACB) and Company shall make an effort to reduce the old outstanding items therein at the earliest.

- A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the ACB of The company.

21. <u>OUTSOURCING WITHIN A GROUP/CONGLOMERATE</u>

In a group structure, the Company may have back-office and service arrangements/agreements with group entities, e.g. sharing of premises, legal and other professional services, hardware and software applications, centralized back-office functions, outsourcing certain financial services to other group entities, etc. Before entering into such arrangements with group entities, the Company shall have a Board-approved policy and also service level agreements/arrangements with group entities, which shall also cover demarcation of sharing resources, i.e. premises, personnel, etc. Moreover, the customers shall be informed specifically about the company which is actually offering the product/service, wherever there are multiple group entities involved or any cross-selling is observed.

While entering into such arrangements, the Company shall ensure that these:

- are appropriately documented in written agreements with details like the scope of service, charges for services and maintaining confidentiality of the customer data;
- do not lead to any confusion being caused to the customers regarding whose products/services they are availing by clear physical demarcation of the space where the activities of the Company and those of its other group entities are undertaken;
- do not compromise the ability to identify and manage risk of the Company on a stand-alone basis;
- do not prevent the RBI from being able to obtain information required for the supervision of the Company or pertaining to the group as a whole; and
- incorporate a clause under the written agreements that there is a clear obligation for any service provider to comply with directions given by the RBI in relation to the activities of the Company.

The company shall ensure that their ability to carry out their operations in a sound fashion would not be affected if premises or other services (such as IT systems and Support staff) provided by the group entities become unavailable.

If the premises of the Company are shared with the group entities for the purpose of cross-selling, NBFCs shall initiate 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 the nature of the arrangement of the entity with the Company so that the customers are clear on the seller of the product.

The company would 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.

The risk management practices expected to be adopted by a Company while outsourcing to a related party (i.e. party within the group/conglomerate) would be identical to those specified in Para 5 of these directions.

22. OFFSHORE OUTSOURCING OF FINANCIAL SERVICES

The engagement of service providers in a foreign country exposes a Company to Country Risk – economic, social and political conditions and events in a foreign country that may adversely affect the Company. Such conditions and events could prevent the service provider from carrying out the terms of its agreement with the Company. To manage the country risk involved in such outsourcing activities, the Company shall take into account and closely monitor government policies and political, social, economic and legal conditions in countries where the service provider is based, both during the risk assessment process and on a continuous basis, and establish sound procedures for dealing with country risk problems. This includes having appropriate contingency and exit strategies. In principle, arrangements shall only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement shall also be clearly specified.

1. The activities outsourced outside India shall be conducted in a manner so as not to hinder efforts to supervise or reconstruct the Indian activities of the Company in a timely manner.
2. As regards the offshore outsourcing of financial services relating to Indian Operations, the Company shall additionally ensure that:
   - Where the offshore service provider is a regulated entity, the relevant offshore regulator will neither obstruct the arrangement nor object to RBI inspection visits / visits of Company internal and external auditors.
   - The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or the Company in India.
   - The regulatory authority of the offshore location does not have access to the data relating to Indian operations of the Company simply on the ground that the processing is being undertaken there (not applicable if offshore processing is done in the home country).
   - The jurisdiction of the courts in the offshore location where data is maintained does not extend to the operations of the Company in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India, and
   - All original records continue to be maintained in India.

23. TERMINATION

In the event of termination of the outsourcing agreement for any reason in cases where the service provider deals with the customers, the termination shall be publicized by displaying it on the website and informing customers so as to ensure that the customers do not continue to deal with the service provider.

24. MANAGING RISKS AND CODE OF CONDUCT IN OUTSOURING OF FINANCIAL SERVICES

The Company shall conduct a self-assessment of the existing outsourcing arrangements and bring these in line with the directions as provided.

25. GENERAL

This Policy will be reviewed periodically, at least on annual basis, based on the emerging environment.