

FAIR PRACTICES CODE

Clause I

- i. **HERITAGE FINLEASE LIMITED** ("HFL" or "the Company"); is a registered non-Deposit taking Non-Systematically Important Non-Banking Finance Company categorized as Investment and Credit Company (i.e., NBFC-NDSI-ICC) with Reserve Bank of India (RBI) and commits itself for implementing and adopting Fair Practices in all its activities and transactions with the stakeholders. The Company has adopted the code to promote good and fair practices by setting minimum standards in dealing with the clients and increasing transparency so that the clients have a better understanding of services provided. The Company commits itself for implementing and adopting these fair practices in all its activities and transactions with its clients while functioning as an NBFC-ICC.

- ii. This Code is applicable to the entire company with effective from 1st April 2022.

Clause II

I. Methodology:

- a. The Company is providing its services in Retail lending of Loans to Dairy Farmer(s), Personal Loans and Business and LAP etc to the clients within India across various region(s) through a Direct client contact. Currently, the company is not operating any of its branches as of the date.

- b. The Company is following the standard Lending methodology for each of the Loan Product and a Operational policy as approved by the Board of Directors and is being reviewed on regular basis.

- c. The Company's Target clients are reached through the Direct Marketing and our employees available at various village(s) acts as a Primary Business contact person with the Borrower for clients servicing through Farm-Lending product(s). He / She assess the Milk supply and Income-generation details of the client(s) through Dairy Farm production assessment who are being used for procurement of application(s) from the client(s) based on the requirement of the financial support services. Upon receipt of such application from the client, the Company's executive will appraise and forward it for approval, disbursement of the loan that is being screened through Credit bureau with a period of 2 days to 15 days through providing a client orientation on the importance of proper use of money and the prompt repayment necessities through providing necessary information to the client accordingly and explained through the vernacular language. For all other product(s), the Company's Executive will act as a Primary business contact to the customer.

- d. In any case of extension of loans to businesses. The company review(s) the business cash-flow(s), consistent cash-flow(s) of individual owners of the business and the viability pattern(s) and cross-check with the Credit Information from obtaining the credit report(s) accordingly for the applicant as well as the business. These loans are also generally processed within a period of 2 days to 15 days

1. Applications for Loans and their Processing:

- a. All the loans are being processed within a period of minimum of 2 days and maximum of 15 days and in case of retail loans the maximum time is within 7 days.
- b. Primary data is collected from the borrower along with KYC (Know-Your-Customer) document as per the KYC policy framed through a prescribed format along with the Loan Application. The KYCs are being collected as per the prescribed KYC norms laid by Reserve Bank of India.
- c. The Company's authorized staff shall verify the loan application along with all the Guarantees (If applicable) and approvals, applicable as per the policies of the Company. The staff shall ensure that the following information is filled and completed the loan application form(s):
 - a. Date of Application
 - b. Borrower Identification particulars
 - c. Loan amount and Product details
 - d. Applicable Interest rate
 - e. Terms of the Loan
 - f. Repayment particulars
 - g. Income and Indebtedness particulars
 - h. Purpose of the Loan
 - i. Bank Account Details
 - j. Details of the Security Interest details (or) Guarantee(s) in the form of PDCs / Guarantee(s)
 - k. Latest details of the Milk supply and the payments being received through Dairy Farming.
- d. All the communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- e. The Company's loan application forms shall include necessary information which affects the interests of the borrower, so that a meaningful comparison with the terms and conditions offered by the Company can be made and informed decision can be taken by the borrower. The Loan application forms shall also indicate the documents required to be submitted with the application form.
 - a. KYC document (both ID Proof and Address Proof)
 - b. Income Proof
 - c. Passport size photograph of the client.
 - d. Udyog Aadhar (or) Shops-Establishment Licenses for Business Loan customer(s).
 - e. SME / MSME License certificate(s)
 - f. GST Returns and Income-Tax Return(s) for assessment purposes for Cash-flow(s).
 - g. Business Cash-flow(s) statement(s) for next 1 year to 5 years as applicable.
 - h. Audited Financial Statements
- f. The Company shall on receipt of loan application, give acknowledgement, the acknowledgement shall indicate the time frame within which loan applications will be disposed of.

2. Loan Appraisal and Terms / Conditions:

- a. The designated staff of the Company will convey in writing to the borrower in vernacular language as understood by the borrower by means of sanction letter or otherwise in the following manner:
 - a. The amount of loan sanctioned
 - b. The terms and conditions of the loan
 - c. Annualized rate of Interest applicable on the Loan
 - d. Method of application of the annualized rate of Interest.
- b. The Company shall keep acceptance of these terms and conditions by the Borrower on its records.
- c. The Company shall convey the message of approval and loan sanction through either a written message or through the confirmation by telephone communication.

3. Disbursement of Loans including charges in terms and conditions:

- a. The company should complete the following documentation at the time of disbursement of the loan whenever applicable:
 - a. Demand Promissory Note
 - b. Tripartite Agreement in case of Loans extended to Dairy Farmers
 - c. Guarantee(s) if any as may be applicable for LAP Loans.
 - d. The acceptance of Terms and Conditions by the Borrower, Rate of Interest, Processing Charges, Repayment terms, other concerned document(s) on its record / safe custody by the authorized person(s).
 - e. Consent for sharing of information to Credit bureau(s) / Insurance companies etc. as applicable.
 - f. Other Terms and conditions as applicable as per the Loan Agreement.
- b. The company shall keep the acceptance of these terms and conditions by the borrower and shall all the other concerned documents on its record / safe custody by the authorized persons.
- c. The company shall provide information to the borrower all the terms and conditions in the vernacular language as understood by the borrower along with the copies of enclosures of loan application and agreement to the borrowers at the time of sanction (or) disbursement of loans.
- d. Loans will be disbursed through the online mode after verification and approval of client details authentication.
- e. The Company's executive shall not collect any additional amount from the client either way of interest over and above that mentioned in above service charges of any kind or any amount over and above the stipulated charges.
- f. For all the loans extended to Dairy farmers; the loan amount eligibility will be determined by the Company considering the periodic (or) fortnightly payment details of the supplied Milk billing details.

- g. Loan amount along with the interest will be recovered in Equated Instalments over the loan period and each instalment will fall due on every periodic cycle of milk billing(s) or fortnight commencing from the next fortnight providing a one instalment moratorium period for each loan in the week the loan was sanctioned / disbursed. Any delay or default in payment of instalments will be processed through follow-up with clients.
- h. It is expressly agreed that in case of any dispute between the parties concerning this agreement or any part there of including the interpretation of any of the clauses of the agreement, the courts in the city of Hyderabad alone shall have jurisdiction.
- i. The Company will give a notice to the borrower in the vernacular language (or) in English as understood by the borrower of any change in terms and conditions including the disbursement schedule, interest rate, service charges, prepayment charges etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively.
- j. The Company will take decision to recall payment under the loan agreement as agreed with the borrower under intimation. And any decision to recall / accelerate payment or performance under this agreement shall be in-consonance with the loan agreement.

4. Collection, Maintaining and Release of Security (Individual Lending Only)

- a. The Company shall release all the Security Interest documents on repayment and clearance of all the dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the company may have against the borrower.
- b. If the Company has any claim against the borrower in respect of the loan outstanding and repayment of all dues or on realization of the outstanding amount of loan, the Company shall give prior notice about the same with the full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

5. General

- a. The Company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower; has come to the notice of the lender.)
- b. In the matter of recovery of loans, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours., visiting the borrower premises at the odd hours, use of muscle power for recovery of loans, etc.
- c. The company will ensure that its staff is adequately trained to deal with the customers in an appropriate manner without resorting to rude behaviour.

6. Other Clauses

- a. The Authorized Person(s) of the Company will review the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism once in a month and report

to the Board on regular basis. The Board review the grievance redressal mechanism once in a quarter.

- b. A report on the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism will be placed before the Board of Directors of the Company once in a Quarter.

7. Privacy of the Client Information

- a. Shall keep personal client information strictly confidential.
- b. Shall disclose client information to a third party only under the following conditions:
 - i. Client has been informed about such disclosure and permission has been obtained in writing.
 - ii. The party in question has been authorized by the client to obtain client information from the Company.
 - iii. It is legally required to do so.
 - iv. This practice is customary amongst financial institutions and available for close group on reciprocal basis (such as a Credit bureau)

8. Internal Control System

The Company shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.

Fair Practices Code (FPC) is subject to revision based on the RBI guidelines and such revisions shall be made on a time-to-time basis upon its review and approval by the Board of Heritage Finlease Limited.