

Namra Finance Ltd.

Code of Conduct

2nd edition

*Adopted based on internal guidelines and guidance provided by RBI,
MFIN, and Sa-Dhan*

PREAMBLE

AS A MICROFINANCE INSTITUTIONS (MFIs), WE SEEK TO CREATE INDIVIDUAL AND SOCIAL BENEFITS AND PROMOTE FINANCIAL INCLUSION BY PROVIDING FINANCIAL SERVICES TO CLIENTS OF FINANCIALLY UN-SERVED AND UNDERSERVED HOUSEHOLDS. OVER TIME, THE MICROFINANCE SECTOR HAS BECOME AN INTEGRAL PART OF THE FINANCIAL INFRASTRUCTURE FOR THE VULNERABLE SECTIONS OF SOCIETY IN INDIA.

IT IS IMPORTANT TO DEFINE CORE VALUES AND FAIR PRACTICES FOR THE COMPANY SO AS TO ENSURE THAT MICROFINANCE SERVICES ARE PROVIDED IN A MANNER THAT BENEFITS CLIENTS, AND IS ETHICAL AND DIGNIFIED.

PART I

CORE VALUES OF MICROFINANCE

The Core Values of Microfinance which guide Namra are as follows:

- I. **INTEGRITY**
Namra will strive to provide low- income clients and their families, with access to financial services that are client focused, designed to enhance their well- being, and delivered in a manner that is ethical, dignified, transparent, equitable and cost effective. Above all, we will act with integrity.

- II. **QUALITY OF SERVICE**
Namra will ensure quality services to clients, appropriate to their needs, and delivered efficiently in a convenient and timely manner. To maintain high standards of professionalism based on honesty, non-discrimination and customer centricity.

- III. **TRANSPARENCY**
Namra will provide complete and accurate information to clients regarding all products and services offered, and create awareness to enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.

- IV. **FAIR PRACTICES**
Namra will ensure that clients are protected against fraud and misrepresentation, deception or unethical practices. We will also ensure that all practices related to lending and recovery of loans are fair and maintain respect for client's dignity and with an understanding of client's vulnerable situation.

- V. **PRIVACY OF CLIENT INFORMATION**
Namra will strive to safeguard personal information of clients, allowing disclosures and exchange of relevant information with authorized personnel only, and with the knowledge and informed consent of clients.

- VI. **INTEGRATING SOCIAL VALUES INTO OPERATIONS**
Namra will ensure high standards of governance and management focused on not only financial performance but also social impact of business.

VII. FEEDBACK & GRIEVANCE REDRESSAL MECHANISM

Namra will provide clients formal and informal channels for feedback and suggestions, and will consistently assess the impact of services in order to enhance competencies and serve clients better. We will provide a formal and easy to access grievance redress mechanism for clients, and have a formal Grievance Redressal Mechanism in place.

PART II

THE CODE OF CONDUCT

Introduction

We will follow all regulatory norms as well as consumer protection practices (RBI's Guidelines on Fair Practices) laid down by the government and the regulators.

This Code applies to the following activities undertaken by Namra:

1. Providing financial services to clients, individually or in groups either on its own or as an agent.
2. Recovery of credit provided to clients.
3. Providing insurance or any other related or unrelated products and services as allowed by law.
4. Formation of any type of community collectives including joint liability groups and their federations.
5. Livelihood promotion services and Business development services including marketing of products or services made to or extended by the eligible clients or for any other purpose for the welfare and benefit of clients.
6. Educational services provided by MFIs such as health, financial literacy, vocational training etc.

Namra agrees to:

1. Promote and strengthen the Microfinance movement in the country by bringing low-income clients to the mainstream financial sector.
2. Build progressive, sustainable, and client- centric systems and practices to provide a range of financial services (consistent with regulations) to clients.
3. Promote cooperation and coordination among themselves and other agencies in order to achieve higher operating standards and avoid unethical practices – including competitive business practices - in order to serve clients better.

Code of Conduct

A. Integrity and Ethical Behaviour

1. Namra will design appropriate Board approved policies and operating guidelines to treat clients and employees with fairness and dignity.
2. Namra will incorporate transparent and professional governance system to ensure that staff and persons acting on their behalf are oriented and trained to put this Code into practice.
3. Namra will ensure that the incentive structure for the staff should aim at promoting good business and service practices towards customers.
4. Namra will educate clients on the Code of Conduct and its implementation

B. Transparency

1. Namra will strive to disclose all terms and conditions to the client, in a form and manner that is understandable, for all services offered. Disclosure will be made prior to disbursement in accordance with the Reserve Bank of India's (RBI) Fair Practices Code through the following documents. Namra will follow all pricing guidelines as RBI's guidelines with respect to interest charges, et al.

- a. Application form
- b. Individual sanction letter
- c. Loan card/Loan schedule/Passbook

2. Namra will communicate all the terms and conditions for all products/services offered to clients in vernacular language or a language understood by them.

3. Namra will disclose and explain the following terms in vernacular language:

- a. Rate of interest on a reducing balance method
- b. Processing fee and applicable tax
- c. Total charges recovered for insurance coverage and risk covered
- d. Tenure of loan
- e. Repayment frequency
- f. Total installments number & amount
- g. Eligibility criteria and statement regarding no discrimination
- h. Loan is provided as per RBI and all other governmental guidelines
- i. Client privacy protection assurance
- j. Grievance redressal policy
- k. Loan to be provided without security, margin, or collateral.

4. Namra will communicate in writing, charges levied for all financial services rendered.

5. Formal records of all transactions will be maintained in accordance with all regulatory and statutory norms, and copy of the signed sanction letter, which will signify the borrowers' acceptance of terms and conditions of the loan, will form a part of these records.

6. Namra will disclose the reason for rejecting the loan to a applicant if application is accepted by the company.
7. Namra will place the Code of Conduct in a public domain.
8. Namra will place the annual report and all relevant disclosures in the public domain, preferably on the website if appropriate.

C. Client Protection

a. Fair Practices

1. Namra will ensure that the provision of micro finance services to eligible clients is as per RBI guidelines.
2. Namra will offer only financial products and services that have been approved by the concerned regulatory authority to their customers
3. Namra will obtain copies of relevant documents from clients, as per standard KYC norms and additional documents sought must be reasonable and necessary for completing the transaction.
4. The decision on loans will be taken within a reasonable amount of time. Namra will indicate the time limit within which customers can expect a decision on their application, and provide a mechanism to applicants to learn of the status of their application.
5. Namra will not offer any bundled products. (making the purchase of a product or service conditional for loan sanction). The only exceptions to bundling may be made with respect to credit life insurance, which is offered bundled with loans. The terms of insurance will be transparently conveyed to the client and must comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms.

b. Avoiding Over-indebtedness

1. Namra will conduct proper due diligence as per the internal credit policy to assess the need and repayment capacity of client before making a loan and will only make loans commensurate with the client's ability to repay.
2. If a client has loans from 2 separate MFIs, irrespective of the source of the loans, the MFI shall not be the third lender to that client. This will be validated by the Credit Bureau Report prior to extension of the loan.
3. Namra will not breach the total debt limit for any client, as prescribed by RBI. This should be validated by the Credit Bureau Report prior to disbursement of the loan.
4. After due verification of credit bureau reports, Namra will ensure that loans given on the basis of joint liability of group of borrowers (JLG loan) is restricted to Rs 60,000 per borrower. Where the loan to a specific borrower exceeds Rs 60,000, or

the loan takes the total debt of the borrower above Rs 60,000, such a loan should be given as an individual loan without involving the JLG.

c. Appropriate interaction and collection practices

1. Namra will document clearly defined guidelines for employee interactions with clients.
2. Namra will ensure that all staff and persons acting on behalf of the company will:
 - Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
 - WILL NOT indulge in any behaviour that in any manner would suggest any kind of threat or violence.
 - WILL NOT contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
 - WILL NOT visit clients at inappropriate occasions such as bereavement, etc., to collect dues even if two or more successive repayments are not received
3. Namra will record the payment in the loan passbook/loan card with the client for each and every payment and provide a valid receipt for each and every payment other than at the center meeting.
4. Namra will document the process for dealing with clients, at each stage of default.
5. Namra will not collect shortfalls in collections from employees and our HR policies will categorically denounce this practice. However in proven cases of frauds by employees, the Company can recover the money from employees.

d. Privacy of client information

Namra will strive to keep personal client information strictly confidential. Client information may be disclosed to a third party subject to the following conditions:

1. Client has been informed about such disclosure and prior permission has been obtained in writing.
2. Information is submitted to an RBI authorized Credit Bureau.
3. The party in question has been authorized by the client with intimation to Namra to obtain the client's information from Namra.
4. It is legally required to provide the information.

D. Governance

Namra will incorporate a formal governance system that is transparent and professional and adopts best practices of corporate governance, including:

1. Namra will induct persons with good and sound reputation as members of Board of Directors and seek to comply with the best standards stipulated in Companies Act, RBI regulations and the Stock Exchange regulations for listed companies.

2. Namra will endeavor to have independent directors to the extent of 1/3rd of the Board of Directors in the parent company, Arman Financial Services Ltd.
3. Namra will appoint an audit committee of the Board with an independent director as chairperson
4. Namra will ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.
5. Namra will place before the Board of Directors, a compliance report indicating the extent of compliance with this Code of Conduct and the functioning of the grievance redressal mechanism.

E. Recruitment

1. There will be no restriction on hiring of staff from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
2. If Namra seeks to recruit an employee in another MFI, it will be mandatory to seek a reference check from the current employer. The reference check will be sought from current employer only after an offer is made and an offer letter is issued to the prospective employee.
3. Namra will respond to the reference check request from another MFI within two weeks.
4. Namra will honor notice period as contractually agreed between employer and employee subject to a minimum of one month.
5. Namra shall not recruit an employee of another MFI without the relieving letter from the previous employer. An exception can however be made in instances where the previous employer fails to respond to the reference check request within 20 days.
6. Namra will provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards the company, except in proven cases of fraud or gross misconduct by the employee.

F. Client Education

1. Namra will have a dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available.
2. New clients will be informed about the organization's policies and procedures to help them understand their rights as borrowers.
3. Namra management will ensure regular checks on client awareness and understanding of the key terms and conditions of the services availed. Customer feedback will be gathered, as part of the Grievance Redressal Policy (the mechanism also collects client feedback). The feedback from such monitoring should be reported to upper management and to the Board periodically.

G. Data Sharing

1. Namra will share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the SRO.
2. Namra will provide the aggregate data and information called for by all supervisory and regulatory bodies including the SRO

H. Feedback/Grievance Redressal Mechanism

1. Namra will establish dedicated feedback and grievance redressal mechanisms to correct any error and handle complaints speedily and efficiently.
2. Namra will inform clients about the existence and purpose of these mechanisms and how to access them.
3. Namra will designate at least one grievance redressal official to handle complaints and note any suggestions from the clients.
4. Namra will display contact number and address of and details of the grievance redressal system of the SRO in the branches.
5. Where complainants are not satisfied with the outcome of the investigation conducted by Namra, they shall be notified of their right to refer the matter to the grievance redressal mechanism established by the SRO.
6. Namra will prepare a monthly report on grievances received, resolved and pending for a senior management review and periodic reports to the board.