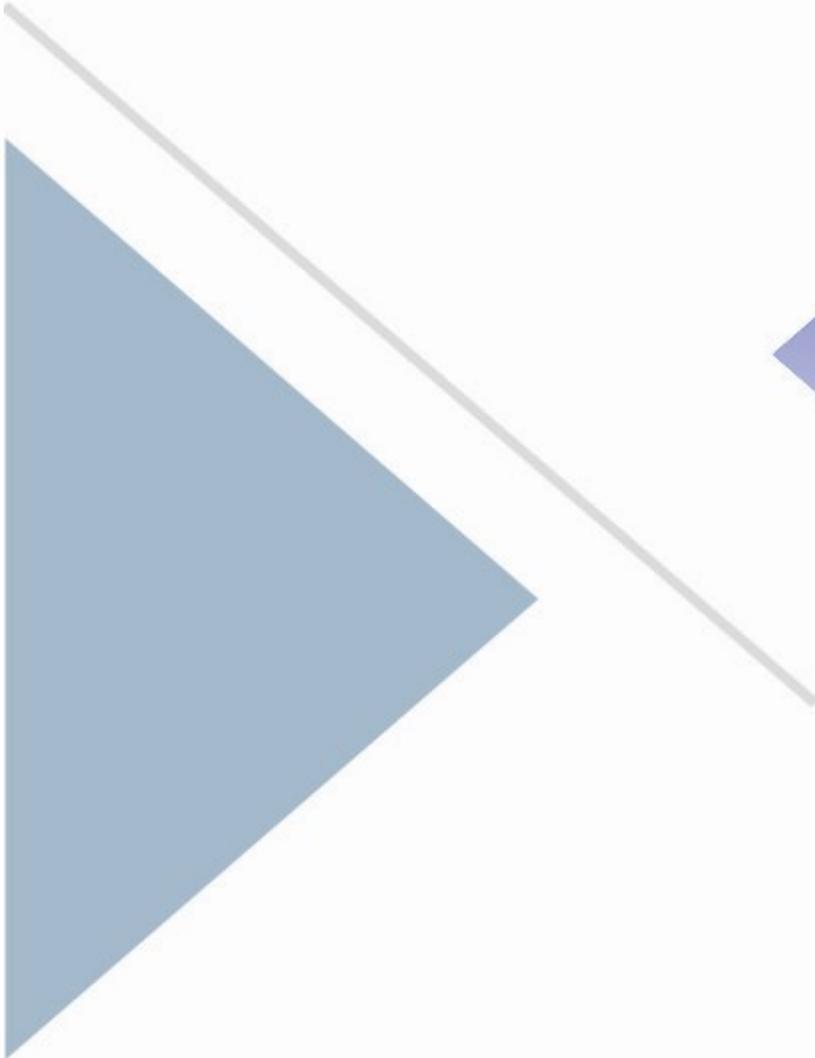


Fair Practice Code



Fair Practice Code

1. Objective:

The Code covers the standard of conduct and ethics being practiced at vector under the guidelines of regulatory bodies.

2. Scope and coverage:

It specifies standards code of conduct, compliance and expected behaviour and actions from the employees at all levels including interns, contract, temporary, part-time and permanent employees.

3. Introduction:

Vector Finance is a Non Banking Finance Company (NBFC) registered with the Reserve Bank of India (RBI) under section 45 IA of Reserve Bank of India Act, 1934. A private limited company, Vector Finance works as a micro-finance institution (MFI), providing loans to micro enterprises for income generation purposes & is also open for providing other loans as permitted pursuant to the applicable extant RBI guidelines. It is also a member of Sa-Dhan, and MFIN, Self-Regulatory Organisations for Microfinance Institutions.

The company is regulated by RBI guidelines and Industry Code of conduct laid by the self-Regulatory Organisations in coordination with RBI. The Reserve Bank vide its circular dated **July, 01, 2015, RBI /201516/16 DNBR (PD) CC. No. 054/03.10.119/2015-16**, and thereafter vide circular dated March 14, 2022, RBI/DOR/2021-22/89 issued guidelines on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and, also adopting a non-coercive recovery method.

Adhering to the Code of Conduct of the Industry and Code of Responsible Lending (CRL) in Micro – Credit, Vector Finance Private Limited reinforces the commitment of adopting fair practices in lending, being transparent to our customers and practices ethical business standards to establish valuable relationship with the customers.

4. Key coverage points

4.1 Display:

Fair Practice Code is displayed in all our branches, regional, and head offices as well as on the company website i.e. on <https://vectorfinance.in/>

4.2 Definition of Microfinance Loan:

A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹ 3,00,000. For this purpose, the household shall mean an individual family unit, i.e husband, wife and their unmarried children.

All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.

To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.

VECTOR shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement

4.3 Assessment of Household Income:

VECTOR shall put in place a board-approved policy for assessment of household income. The indicative methodology for assessment of household income as provide in the RBI's "Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated March 14, 2022 bearing reference number RBI/DOR/2021-22/89 and as updated on July 25, 2022 is being adhered to.

VECTOR shall mandatorily submit information regarding household income to the Credit Information Companies (CICs). Reasons for any divergence between the already reported household income and assessed household income shall be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

4.4 Limit of Loan Repayment Obligation of a Household

VECTOR shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.

The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.

Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50 per cent, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50

per cent is complied with.

VECTOR shall provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, VECTOR shall also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

4.5 Pricing of Loans

VECTOR shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:

- i. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
- ii. Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
- iii. The range of spread of each component for a given category of borrowers; and
- iv. A ceiling on the interest rate and all other charges applicable to the microfinance loans.

Interest rates and other charges/ fees on microfinance loans should not be usurious. These shall be subjected to supervisory scrutiny by the Reserve Bank.

VECTOR shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet as directed by the regulator.

Any fees to be charged to the microfinance borrower by VECTOR and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.

The factsheet shall also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households.

There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

VECTOR shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. This information shall also be included in the supervisory returns and subjected to supervisory scrutiny.

Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

As part of their awareness campaigns, SROs/ other industry associations may publish the range of interest rates on microfinance loans charged by their members operating in a district. SROs/ other industry associations may also sensitize their members against charging of usurious interest rates.

4.6 Fair Interaction

- i. VECTOR shall ensure that borrower is not unfairly discriminated against on grounds such as religion, caste, gender, marital status, sexual orientation, etc.
- ii. VECTOR shall ensure that all employees and persons acting on its behalf:
 - a. Undergo training on how to exhibit appropriate behaviour towards the borrowers.
 - b. Use respectful language, maintain decorum, and show respect to social and cultural sensitivities.
 - c. Do not use coercion of any sort to make recovery of loans and take recovery only at a central designated place. An employee can take recovery at the place of residence or work of the borrower only if the borrower fails to appear at the central designated place on two or more successive occasions.
 - d. Do not intimidate or humiliate verbally or physically.
 - e. Do not contact borrowers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriages and births.
 - f. Do not harass relatives, friends, neighbours, or co-workers of the borrower.
- iii. VECTOR shall ensure that the engagement of the recovery agents and their interaction with the borrowers is as per the guidelines mentioned in the Harmonized Regulations.

4.7 Conduct Towards Microfinance Borrowers

The FPC as approved and adopted by the Board shall be displayed by VECTOR in all its offices and on its website. The FPC should be issued in a language understood by the borrower.

There shall be a standard form of loan agreement for microfinance loans in a language understood by the borrower.

VECTOR shall provide a loan card to the borrower which shall incorporate the following:

- i. Information which adequately identifies the borrower;
- ii. Information which adequately identifies VECTOR.
- iii. Simplified factsheet on pricing;
- iv. All other terms and conditions attached to the loan;
- v. Acknowledgements by VECTOR of all repayments including instalments received and the final discharge; and

- vi. Details of the grievance redressal system, including the name and contact number of the nodal officer of VECTOR.

All entries in the loan card should be in a language understood by the borrower.

Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

4.8 Training of Staffs

VECTOR shall have a board-approved policy regarding the conduct of employees and system for their recruitment, training and monitoring. This policy shall, inter alia, lay down minimum qualifications for the staff and shall provide necessary training tools to deal with the customers. Training to employees shall include programs to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.

Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household. Training, if any, offered to the borrowers shall be free of cost

4.9 Responsibilities of Outsourced Activities

Outsourcing of any activity by VECTOR does not diminish its obligations and the onus of compliance with these directions shall rest solely with VECTOR.

A declaration that VECTOR shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal, shall be made in the loan agreement and also in the FPC displayed in its office/ branch premises/ website.

4.10 Guidelines related to Recovery of Loans

VECTOR shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

Recovery shall be made at a designated/ central designated place decided mutually by the borrower and VECTOR. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.

VECTOR or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

- i. Use of threatening or abusive language
- ii. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
- iii. Harassing relatives, friends, or co-workers of the borrower
- iv. Publishing the name of borrowers
- v. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
- vi. Misleading the borrower about the extent of the debt or the consequences of non-repayment

Each VECTOR shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursement.

4.11 Guidelines related to Recovery of Loans

Recovery agents shall mean agencies engaged by VECTOR for recovery of dues from its borrowers and the employees of these agencies.

VECTOR shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. VECTOR shall ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which shall include police verification. VECTOR shall also decide the periodicity at which re-verification of antecedents shall be resorted to.

To ensure due notice and appropriate authorization, VECTOR shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from VECTOR along with the identity card issued to him by VECTOR or the agency. Further, where the recovery agency is changed by VECTOR during the recovery process, in addition to VECTOR notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card.

The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and VECTOR.

The up-to-date details of the recovery agencies engaged by VECTOR shall also be hosted on VECTOR's website.

4.12 Transparency of policy:

Our policy and practices are reasonably transparent and fair. All the communications with the borrowers shall be in vernacular language. We shall educate our customers about Terms and Conditions of the loan

including rate of interest, loan tenure and applicable charges in the language they understand (vernacular language) during two days compulsory group training (free) so that they can make a conscious and well informed decision.

4.13 Verification:

All applications shall be verified and processed before sanctioning the loan. Company's staff are trained to make necessary enquires, check credit worthiness, borrower's income, repayment capacity and KYC based on RBI guidelines.

4.14 Customers Trustworthiness:

To prevent over-indebtedness, we have partnered with Credit Bureau Agencies, in addition to the internal records, the data of each client with respect to their current debt levels and repayment history will be used to assess eligibility for loan.

4.15 Credit Bureau Check:

The application shall go through internal procedure for assessment under Credit Bureau check before it is approved. Applications which doesn't passes Credit bureau assessment are automatically rejected. Rejected applicant are informed about their ineligibility of getting loan on very next day.

4.16 Staff Training:

We shall be focusing on quality service and train our staff adequately to withhold organization's values and treat our customer respectfully. All our employees shall be going through a structured training program on processes, policies and client handling (behaviour) to ensure defined and structured information passes to our customer. We shall be ensuring our staffs treat our customer respectfully and address their concerns/dispute on priority.

4.17 Clarity of Communication and Understanding:

In order to establish clear communication with our customer shall be providing all the information (in vernacular language) in sanction letter/loan card during the disbursement. Loan card shall be consisting the Terms and Conditions of the loan as communicated during CGT.

4.18 Centrally Disbursement:

All the Sanctions and disbursement of loan shall be done centrally through Head office post verification at branch and Cluster level.

4.19 Privacy of Customers:

We shall be respecting individual's privacy and assure our customer that privacy of their data will be maintained. However, a written consent shall be obtained for using this information for sharing it with Credit Bureau Agencies.

VECTOR shall keep the borrower and borrower's household members personal information strictly confidential. This information may be disclosed to a third party subject to any of the following conditions:

- i. Such information is required to be provided under the law or it is provided for a mandated business purpose (for example, to credit information companies)
- ii. Borrower/borrower's household members have been informed about such disclosure and prior permission has been obtained in writing be disclosed to a third-party subject to any of the Borrower/borrower's household
- iii. The party in question has been authorized by the borrower/borrower's household members with intimation to VECTOR and any other microfinance provider to obtain their information.

4.20 Loans without Collateral:

Loans shall be provided without any collateral for "qualifying assets" as described under RBI guidelines. Neither we charge any foreclosure charges / prepayment penalties to our customers. We shall be refraining from interfering in borrower's affairs except utilization if loan amount for the purposes provided in the loan agreement.

4.21 Place of Collection of EMIs:

All the EMI collection shall be made on designated meeting centres at the scheduled meeting time. We shall not resort to undue harassment viz; persistently bothering our customers at odd hours, use muscle power or rude behaviour from our staff for recovery of loan. Our staff shall be making a visit at the place of residence or work of the borrower only if borrower fails to appear at central designated place on two or more successive occasions.

4.22 Grievance Redressal System:

We shall be having an efficient multilayer grievance redressal system to address our customers concerns. We have appointed nodal officers at branch and cluster levels, this will ensure that disputes and grievances will heard and resolved within a given time period. We also have a designated grievance redressal officer at Head office who can be reached at the contact details provided on borrower's loan card.

The details of Grievance Redressal Officer, who can be approached by the Customer for resolution of complaints against the Company is given below:

1. Name of Grievance Redressal Officer (GRO):

Mr. Sudipta Chowdhury

Mobile No. +91-98619-24424

Email ID - sudipta.chowdhury@vectorfinance.in

2. Nodal Officer Address & Contact Details:

Mr. Sujay Kumar Dey

Vector Finance Private Limited

ASO-606, South Astra Tower

2C/1, Action Area-IIC, Rajarhat

Kolkata-700161

Email: sujaykumar.dey@vectorfinance.in

3. MFIN toll free Help Line Number: 1800 102 1080

In case the Customer lodges complaint with Vector and

1. There is no reply from company within 30 days,
or
2. The Customer remains dissatisfied with the reply from Vector, the customer may file a Complaint with RBI Ombudsman - Not later than one year after the reply from Vector to the below mentioned address
 - i. Complaint Lodging Portal of the Ombudsman: <https://cms.rbi.org.in>
 - ii. Contact details of Centralized Receipt and Processing Centre (CRPC)
Email I'd: crpc@rbi.org.in

Address: Department of Supervision (NBFCs) Reserve
Bank of India Pandit Jawaharlal Nehru Marg
Bhubneswar-751001.

4.23 Adherence to Compliances:

To ensure the company adhere to all the compliances of the industry, we shall be having dedicated and structured audit and compliance team. A designated nodal officer at Head office ensure periodic inspection and audit of all process and policies at reasonable frequency.

4.24 Loan Agreement /Loan Card:

Company shall adopt a board approved standard form of loan agreement and loan card, the loan agreement shall be preferably be in vernacular language and shall cover all points as per RBI Master Circular Dated July,01,2015, RBI/201516/16,DNBR (PD) CC. No. 054/03.10.119/2015-16.

4.25 Interest rate Model:

Company shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium etc. and determine the rate of Interest to be charged for loans and advances. The rate of Interest should be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

4.26 Employee Engagement

- i. VECTOR shall recruit a candidate from another regulated entity based on a satisfactory reference check and should not confirm the employee without a relieving letter from the previous employer.
- ii. VECTOR shall be participating in Employee Bureau to submit their employee's data and check candidate's employment records.
- iii. VECTOR shall give comprehensive induction training to the employees on policies, processes, and regulations. Emphasis should be given to CoC related aspects on borrower-interface aspects such as fair treatment, household and income assessment, the privacy of data, service quality, customer grievance redressal system, POSH, relationship management, dealing with borrower facing difficulty in repayment, etc.
- iv. VECTOR shall regularly assess employee's understanding of the above elements and conduct refresher training to address the gaps in understanding.
- v. VECTOR shall train their employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
- vi. VECTOR shall necessarily orient their employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.
- vii. VECTOR shall engage new employees in the branch-level business operations only after completion of their induction training.

- viii. VECTOR shall ensure that employees directly responsible for grievance redressal system receive detailed training about the system, processes, and soft skills required for resolving complaints.
- ix. VECTOR shall set targets for the branch-level employees based on a reasonable-objective criterion including an understanding of microfinance requirement and repayment capacity in an area.
- x. VECTOR shall have a well-defined protocol to be followed by employees to handle risks arising from going to difficult areas and cash handling.
- xi. VECTOR, while recruiting an employee, shall honour the notice period as mutually agreed between prospective employee and his/her current employer.
- xii. VECTOR shall respond to request from other regulatory entities provider for reference check within 15 calendar days/a reasonable time-period from the receipt of such communication.

4.27 Fair Practice Committee:

The company has constituted a Fair Practice Committee by one Board Members for implementation and monitoring of fair practice code in a ethical way. The board of directors should also provide for periodical review of the compliance of the Fair Practice Code and the functioning of the grievance redressal mechanism at regular interval. A consolidated report of such review will be submitted to the Board at regular intervals.