

WORKING POLICIES & CODE OF CONDUCT: EFFECTIVE FROM 01-04-2022

Ceejay Microfin Ltd (CML) is registered with Reserve bank of India as non-deposit taking NBFC (Non-Banking Financial company) MFI. CML adopts code of conduct for optimum fair practice which would help CML and its clients have a seamless and transparent approval, disbursement and collection process.

Mission

“To facilitate a lifetime of financial and social progress at the base of the pyramid”

Vision

“To become the most admired financial services and distribution platform facilitating progress at the base of the pyramid”

Joint liability Group (JLG)

- CML’s core activity is facilitating small micro-loans to target clientele for income generating purposes using the Joint Liability Group (JLG) methodology.
- Loans are made to individual members, but each member of the group agrees to guarantee the payments of all other group members in accordance with the JLG methodology. The JLG methodology works to everyone’s advantage.
- Through the use of the joint liability guarantee, our clients, who most often do not have any collateral, are able to access credit. The group methodology also provides built-in support for our clients, both in good times and bad. Delivering financial services through groups also brings multiple benefits to CML, Reductions of transaction costs, reduction of risk due to non-payment, increase in outreach, and thereby an increase in income.

PURPOSE OF LOANS:

- Loans are provided to suitable members for their already existing business requirements or any new business where they have some experience of doing it. Hence CML microfinance loans are purely for income generating activity only.

Group

- CML provides financial services to groups of 5 to 20 women who meet twice a month or at least once a month. For renewal loans the group size can be from 3 to 20 women members.
- No new member can join a group after it is formed. If after the first cycle there are not at least three (3) members willing & eligible to avail the next loan, the entire group is dissolved, or merged to another group.
- While this is the minimum number of members for a group, the maximum number is always restricted to 20 members.

Fair Practice code for all lending activities

Survey

- Centre Managers and/or any higher authority will commence their operations by a village survey that is for them to understand the area they are going to operate in. Centre Managers and/or any higher authority can fill the Area Survey form. The commencement of operations in a village is very important and consequently, initial activities are of strategic importance. The Centre Managers may have a informal discussion with small groups at tea/pan shops and general stores in the village in order to understand the local socio-economic conditions, the demand for microfinance services and details on current providers, including self-help groups and money lenders.

Promotional Meeting & KYC Documentation

- The Centre Manager after completion of the village survey and approval from the Branch Manager calls the potential Borrowers or receives calls from interested individuals. He may have to visit the village again to follow up if required. In this process, the Centre Manager can prepare the list of interested borrowers from a village. Also, the Centre Manager shall inform the interested potential borrowers to form groups of 5,10,15 & 20 Members without influencing the selection process.
- The various topics the Centre Manager would cover during the promotional meeting are on company eligibility criteria, RBI Guidelines, group eligibility criteria and documents required.
- KYC Identity Proof as per the KYC Policy of the Company.
- Address Proof as per the KYC Policy of the company.
- Voter ID and/or aadhar card is Compulsory for first cycle Borrowers.
- House ownership proof is required for semi-rural, semi urban/urban members.
- Age proof for Insurance as per IRDA as per the KYC Policy.
- Photographs of the Member and the Co-borrower- Joint or Individual.
- All communication by CML will be carried in vernacular language.

Eligibility Criteria

- Age for member and her Co-borrower should be between 18 to 58 years (57 yrs. + 364 days) on the date of disbursement. (This will make them eligible for insurance life cover).
- A microfinance loan is now defined as a collateral-free loan given to a household having annual household income up to Rs.3, 00,000. Borrower annual household income should not be more than Rs. Three lakhs (Rs.3, 00,000) per annum. The household shall mean an individual family unit, i.e., husband, wife, and their unmarried children.
- Take self – declaration of annual income of the borrower and/or other family members of the borrowers on the loan application form and to submit information regarding household income to the credit information companies (CICs.). Reasons for any divergence between the already

reported annual household income as per credit report of credit information companies (CICs) and self – declared annual household income shall be specifically ascertained and updated with CIC's.

- While giving microfinance loan borrower's repayment obligation towards outstanding loan (collateral-free microfinance loan as well as any other type of collateralized loans) should not be more than 50% of monthly household income. To calculate 50% cap, repayment obligation (principal and interest component) of the existing outstanding loans and loan under consideration shall be included.
- The member and/or the family household must be a resident of the area for at least 3 years.
- The member must be in control of and committed to current occupation.
- The occupation must be within our area of operation.
- The member must be in good health.
- The evaluation by a Branch Manager must indicate willingness and ability to pay.

Loan Terms and Conditions mentioned to clients

- Interest rates are charged as per the RBI Guidelines provided to us and updated in the circulars from time to time whenever there are changes made. The interest rates charged are on declining balance method.
- Tenure of the loan is as provided in the product table effective at the time which is designed keeping in mind members' capacity to repay which are standardized across the company.
- Repayment mode is cash currently which the center and groups pay on the center meeting day. The disbursement however is done at the corporate and registered office which could be NEFT or Cheque.
- Frequency of repayment options are provided keeping in mind members usually prefer small amounts of repayment that do not adversely affect their cash flow and would like repayment amounts to be 'comfortable' that they do not actually feel that there is burden of sudden heavy cash outflow. Accordingly, CML offers equal loan instalment payments on a fortnightly / monthly basis for all Loans.

CREDIT INSURANCE

CML offers credit insurance cover to its members and /or their Spouses/Co-borrowers with tie up from a third-party Insurance Company. All the borrowers are to be insured under Group Life Insurance for the loan period. Co-borrowers including Spouse who are relatives to the borrower can be insured under this scheme which is optional. It is being done to prevent any undue burden on other group members and family members of the deceased Borrower and/or Co-borrower.

ELIGIBILITY:

- The Member and/or the Co-borrower must be between the age of 18 years and 58 years at the maximum to be insured under the group life insurance.

- The Borrower is insured starting from the day of disbursement till end of the Loan Tenure.

Group Training

- All rules and regulations of CML loan products are explained to the members by the CM.
- All rights and obligations need to be understood and accepted by the members

Loan Disbursement

- Customer Enrollment form– One for each Borrower of the group
- Photocopies of the KYC documents
- Centre Proposal Form – One for the Centre (All Groups of the same centre can have copies of the form with first Group file having the Original one)
- Compulsory Group Training form
- Demand Promissory Note - One for each Borrower of the group
- Loan Agreement – One for the Group
- Processing fee receipt – Group copy ☑ Insurance fee receipt – Group copy
- Sanction Letters – Group copy
- Repayment cards/ Loan Cards will be handed to clients as a reference for installment payment to CML.
- Welcome letter/Loan Card mentioning rate of interest, moratorium, identification of borrower and other requirements mentioned by RBI.

Collection

INSTALLMENT COLLECTION

- Once the Centre Manager (CM) reached the center for collection, CM identifies the group and the type of collection involved regular, overdue, and advance.
- Take attendance by unchecking the member not available for the meeting.
- Next CM would capture meeting start time and end time.
- Now the CM will take the collection amount and issue receipts to the respective clients.
- After which the CM will sign the loan card accordingly.

The copy of the receipt is filed in the group file after the CM writes the collection made amount, signature and date in the receipt copy.

ADVANCE PAYMENTS:

- Advance collection is the amount collected over and above the actual demand reflected in the demand sheet against a borrower. The demand shown in the sheet includes normal and overdue demand for both principal and interest amount. If there is an amount collected over and above the demand from a borrower, then the amount needs to be noted in the route Sheet and also in the advance collections module. After reaching Branch office, the cash is remitted and reconciled as in case of regular collection. No Advance payment charges will be applicable.

OVERDUE PAYMENTS:

- Overdue Report is generated member-wise from ERP application. Centre Manager follows up with the overdue clients by visiting the villages. The Centre Manager asks individual overdue borrower to repay the amount. If the amount is collected, the Centre Manager issues receipt against the amount collected. After reaching office, the Centre Manager submits the collected money and receipt book to the Branch Manager. The information is updated in the erp application. The overdue Report - Member wise can be generated on a bimonthly basis with updated info and given to the concerned Centre Manager for follow-up and collection.
- In case of overdue EMI, late payment interest in the range of 18% to 24% per annum shall be charged on the outstanding recovery amount from the customer.

RCOVERY OF LOANS

- No employee shall use 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

PRE-PAYMENT & FORECLOSURE OF LOANS:

- Loan pre-payment is defined as pre-closure of loan before the scheduled due date/s. This pre-payment or closure of loan is allowed for individual member of centre any time they want. However, borrowers are encouraged to continue loan for the duration of the tenure. Pre-payments can be done by the borrowers'/ group at the Branch Office only.

Borrower might want to pre-close (foreclose) her loan for any of the reasons stated below:

- Migration,
- Not willing to attend meetings
- Not willing to continue loan with any MFI
- Unfavorable Group dynamics and/or Borrower and/or her Spouse/Co-borrower dies.

No pre-closure payment charges are applicable for closure of loans. The interest benefit for pre-closure would be applicable and passed on to the borrowers. Renewal loan can be extended to customer in case of pre-closure. The terms & conditions for renewal loans would be in accordance to the process prevalent at the time.

Closure due to death of borrower or co borrower

If there is death of a borrower, the group members inform the Centre Manager of the event immediately or during next center meeting. The Centre Manager visits the deceased person's house and collects repayment cards; he informs the family of the deceased and the other group members to arrange for the death certificate within 15 days of the incident. Subsequently the following documents need to be sent by the BO to HO. (Insurance Desk)

- Death Certificate
- KYC of deceased and Nominee
- Member Insurance Authorization Form i
- Insurance Claim Form – Filled by the BO
- Insurance Company Authorization Form Filled by BO
- Upfront Beneficiary Form – BO needs to get Beneficiary signature
- Valid Discharge – Declaration by Nominee – BO needs to get Beneficiary signature
- Nominee Bank Account Details
- Policyholder's Declaration – Filled by the HO (Insurance Desk)

With the receipt of the above physical documents, the insurance desk will verify the documents received and forward the details to insurance company for death marking the loan in the erp application.

Once the loan is death marked, system will stop generating collection demand for the borrower.

The Micro Finance Institutions Network (MFIN) Code of Conduct states that:

- Though each MFI tries to ensure on-time recovery of dues, it is imperative that they shall not use any abusive, violent, or unethical methods of collection and recovery efforts should be in line with guidelines issued from Reserve Bank of India's (RBI) from time to time.
- A valid receipt (in whatever form as decided by each member MFI) should be provided for each collection from the borrower.

The Collection policy and practices at CML are built around respect to its clients. CML believes in following fair practices with regard to collection of dues and thereby building customer confidence and long-term relationship.

- Interact with the clients in an acceptable language/ Vernacular and dignified manner and spare no efforts in fostering clients' confidence and long-term relationship.
- Maintain decency and decorum during the visit to the borrower's place for collection of dues.
- Avoid inappropriate occasions such as bereavement in the family or such other calamitous occasions for making calls/visits to collect dues.
- Avoid any demeanor that would suggest any kind of threat or violence.
- Issue identity card to all employees who are authorized to carry out collections from Borrowers
- Issue receipts (or sign-off on the repayment cards for the collection sum), to all borrowers (individually or as group) indicating the amount collected, either immediately on payment or a time no later than the next collection date.
- Ensure recoveries are done normally only at a central designated place called a 'Centre' as agreed by the borrowers during the loan origination and indicated in their centre proposal form.

- Ensure our field staff makes recoveries at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.
- Avoid visiting clients at odd hours of day & night; specifically not visit clients before 6:00 am or after 8:00 pm after keeping in view the rural & urban perspective / local culture.
- Emphasize using social collateral which includes various forms of peer assurance such as lending through groups and group guarantees at the village, hamlet or neighborhood level, or guarantees by relatives, friends, neighbors or business associates; and explain clearly to clients what the obligations of social collateral are.
- Not to recover collections from employees unless there is an instance of fraud or misappropriation.

The Company has framed and adopted a voluntary code, which sets the principles for fair practice standards when dealing with individual customers.

Fair Code Conduct KEY COMMITMENTS:

Our key commitments to members are to:

- Act fairly and reasonably in all their dealings with customers by:
- Meeting the commitments and standards in this Code, for the products the company offers, and in the procedures and practices their staff follow.
- Making sure that Company's products meet relevant laws and regulations.
- Company's dealings with customers will rest on ethical principles of integrity and transparency.
- Help customers understand how company's product work by explaining their financial implications and deal quickly and sympathetically with things that go wrong by:
 - Correcting mistakes quickly
 - Handling customer's complaints quickly
 - Telling customers' how to take their complaint forward if they are still not satisfied.

LIST OF MISCONDUCTS:

- Engaging in any other trade/ business/employment while in the employment of CML, without prior written permission.
- Theft, misuse of office, involvement in any other corrupt activity etc.
- Fraud (e.g. Embezzlement of cash,).
- Intentionally Damaging company property, goodwill or reputation
- Leakage of company information to outsiders, in any form with an ulterior intention.
- Any Physical Assault
- Kill, rape, and commit serious bodily harm etc. & which attracts punishment under IPC,
- Sexual harassment,
- Harassment of all kinds against clients
- Legal case/ inquiry against employee which has a detrimental impact on company's work.
- Repeated negligence in performing duties, even after the counselling, two warnings in writing supported with the Corrective Action Plans at each stage.
- Employee soliciting commission, bribe or any monetary/ or in kind favours from clients for giving or recovery of loans and for performing any other official responsibilities.
- Borrowing money from clients for personal use.

- Any kind of intoxication while on duty, and causing damage to company's goodwill or reputation,
- Falsifying signatures of other employees and/or members,
- Indulging into illegal activities, which hampers or affects the Company's day to day business and also against Company's interest.
- Obstructing the members from dealing with CML or obstructing other employees from discharging their job responsibilities.
- Furnishing false information regarding name, age, father's name, qualifications, ability or previous service or any other matter relevant in the employment at the time of employment or during the course of employment.
- Violation of any other security norms of the company, including IT security (use of other employees' password and ID).
- Any activity/behavior forming a case of moral turpitude.
- Gambling, drinking, consumption of drugs (not medically prescribed) etc. within office premises during official hours.
- Insubordination and disobeying the reasonable orders of the superiors.
- Damage/ Misuse of company resources, without any intent to damage (e.g. loosing Safire key).
- Gambling, drinking, consumption of drugs (not medically prescribed) etc. within office premises in the non-official hours.
- Passing wrong information resulting in company bearing financial loss (e.g. insurance related details; if sent wrongly where company pays for claim).
- Instigating employee(s) against other employees/ management or intimidating the management or intimidating by the reporting authority to the subordinates or harassing them unnecessarily, which is likely to hamper the business in due course or has direct implication on the performance of the individual.
- Taking a decision, which has a financial implication favoring that employee itself.
- Suppression and misrepresentation of facts.
- Intention to defame (lewd/improper comments in email or other communication channel), if proved.
- Employee Incompetency/ Performance related issues.
- Unauthorized Absence (Between three to five days).
- Passing wrong information which can result in serious disorderliness of company data (e.g. wrong entry of data in software.)
- Misbehavior with colleagues / reporting authority/ subordinates (where there is no evil intent or depraved motive or intention to cause harm).
- Repeated failure in timely completion of work.
- Refusal to attend a nominated training programmed in normal circumstances.
- Refusing a reasonable request to moderate changes in responsibilities, where such change is a business necessity.
- Failure to act despite having knowledge of wrong thing being practiced in company.
- Showing an unreasonably negative attitude to management and fellow employee.
- Not following the prescribed dress code.
- Smoking in non-designated area.
- Careless use of the Company's equipment, furniture etc.
- Repeatedly leaving workplace within working hour, without permission.

Above mentioned list is mere indicative in nature, it is not exhaustive. Any other act or conduct which is against the Company's values or Principles shall be treated as misconduct depending on the nature and seriousness and will be dealt with appropriately.

GRIEVANCE

- The Grievance management feedback mechanism is put in place to resolve any issue that the borrower faces during her loan tenure.
- The Grievance cell is a mechanism to listen to our customers both internal and external.
- The trigger of the process is when the borrower has a grievance; she calls the number which is printed on her repayment card or drops a letter in the complaint box displayed in the branch offices.
- The borrowers can reach to CML with the phone numbers of head office, registered and corporate offices for any queries or grievances.
- From Monday till Friday between 7 am till 7 pm the customers can call the number. The tele-caller executive talks to the customer by first taking validation of the call being made. The validation check is on identification details of the member and her loan details.
- If the call belongs to the high priority bucket, then tele-caller should immediately escalate the matter not later than an hour to higher authorities at HO immediately.
- The action and resolution for High priority cases should be done within 24 hrs. If the resolution is taking longer than expected, the tele-caller or a senior person from CML should call the customer.
- Medium priority cases received through 2 mediums call or through a letter in the Complaint box at the BO will be collated every Friday and emailed for grievance matters. Within next 7 days the resolution need to be brought for all service related cases.
- For Loan related Medium priority cases, the tele-caller can gather the information on what stage the loan application is pending or rejected. The tele-caller can refer to the Loan product table guidelines and internal credit appraisal process guidelines to answer these queries.
- For Low priority cases, the tele-caller tries to resolve the issue, if the tele-caller executive is not able to resolve the issue then the tele-caller will inform the borrower that the issue has been escalated for resolution and it is recorded after raising a ticket.
- The Audit team must audit on the functioning of the Grievance Cell, Calls received, and TAT of resolutions, long pending cases if any and prepare a dashboard to be shared with the COO monthly.
- Similar update on grievance is shared once in a quarter with the Board of Directors.

TRAINING OF STAFF

- The company has laid down the extensive training program for its employees.
- Topics covered under these trainings includes but not limited to, New Employee Induction, Know Your Company, Business Orientation/Process, Customer Handling, Regular updates in RBI norms and regulations, etc.
- Every employee must attend all these trainings, as and when conducted by the company.

- Mode of the trainings will be offline and online, depending upon the requirement and availability of the staff and the trainer.
- During the trainings the company shall provide necessary stationery and the training documents.
- Every participant of the training must mark its attendance in the attendance sheet provided during the training.
- Entire cost of these training shall be borne by the company only.

RESPONSIBILITIES OF OUTSOURCED ACTIVITIES

- The company, so far, has not appointed any other agency to outsource its business activities.
- However, the company, before hiring any such agency to outsource its any business activity, shall conduct a proper due diligence on the proposed agency.
- The company shall place a mechanism to keep the check on the conduct of the agency towards the customers of the company and shall take necessary corrective actions, if required.
- Outsourcing of any activity by the company does not diminish its obligations and the onus of compliance with these directions shall rest solely with the company only.

ENGAGEMENT OF RECOVERY AGENTS.

- The company, so far, has not appointed any recovery agency.
- The company shall conduct verification/police verification of the staff of recovery agents on time to time.
- The company shall keep its borrowers informed about engaging any recovery agents.
- The company 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 recovery notice and the authorization letter from the company along with the identity card issued to him by the company or the agency. The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the RE.
- The company shall issue printed authorization letter to the recovery agents.
- The up-to-date details of the recovery agencies engaged by the company shall also be hosted on the company's website.
-