

Yunus Social Business Fund Bengaluru Private Limited

Fair Practice Code

(Revised Version approved by the
Board of Directors on 28th November 2024)

FAIR PRACTICE CODE

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1. INTRODUCTION

1.1. COMPANY

Yunus Social Business Fund Bengaluru Private Limited (YSBFB) was incorporated in 2016. It subsequently received a Type I Non-Banking Financial Company (NBFC) license from the Reserve Bank of India (RBI) on February 9, 2017, categorized as a Non-Systemically Important Loan Company. In November 2019, the Company upgraded its license to a Type II NBFC. As per the latest RBI scale based regulations, YSBFB is currently categorized as an NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). The Company primarily raises capital through equity and debt financing from domestic and foreign institutions. It does not accept public deposits.

YSBFB is inspired by Nobel Laureate Prof. Muhammad Yunus's Social Business Philosophy. A social business is one with a social mission at its core, and 100% dedicated to solving human problems. A social business either creates income for the poor or provides them with essential products and services like healthcare, safe water or clean energy. They operate exactly like normal companies except for a few small differences: i) the primary aim of Social Business is to solve a social problem; ii) unlike a charity, a social business generates profit and reinvests these profits back into generating impact; iii) a social business aims to be financially self-sustaining.

We aim to achieve this through providing patient finance to businesses that are driven by ambitious local entrepreneurs with a strong focus on solving social / environmental problems with sustainable business principles and creating impact.

1.2. VISION

YSBFB's vision is to have a "World of Three Zeroes" i.e.

- a) Zero Poverty;
- b) Zero Unemployment;
- c) Zero Net Carbon Emissions.

1.3. MISSION

YSBFB's purpose is to harness the power of business to end poverty and the climate crisis.

1.4. LEGAL

Pursuant to RBI vide Circular DNBS.CC.PD.No.266/03.10.01/2010-11 dated March 26, 2012 and vide Circular DNBS.CC.PD.No.320/03.10.01 /2012-13 dated February 18, 2013 (“Guidelines”), issued to Non-Banking Financial Companies (NBFCs), the Board of Directors have adopted a Fair Practices Code for Yunus Social Business Fund Bengaluru Private Limited (“Company”).

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circular.

The Company's business will be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. In addition, the Company will adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

1.5. OBJECTIVES

- a) To ensure Fair Practice while dealing with the customers;
- b) To enable customers to take informed decisions about our financial products and services; and
- c) To ensure customer satisfaction.

2. LOAN AND PROCESSING

- a) There are two ways in which the Company source borrowers: 1) Referrals from other funds, NBFCs, local networks; 2) Active outreach through pinpointing target sectors and sub-sectors that we want to invest in.
- b) During the diligence process, the Company requests borrowers to submit required information through proposals describing their business models, financial models and other credit information.
- c) The borrowers are evaluated through risk-rating frameworks and 2 rounds of an Investment Committee, which ultimately approves each investment.

3. LOAN APPRAISAL AND TERMS & CONDITIONS

- a) In accordance with the Company's appraisal norms, loan application will be considered and loan amount will be approved after applying internal credit appraisal norms. The Company shall convey in writing to the borrower by means of approval letter or otherwise, the amount of loan approved along with the terms and conditions, including the annualized rate of interest and method of application thereof. Additionally, Penal Charges on late repayment is clearly highlighted in written offer letter and loan agreement. The Company shall keep record of customer's acceptance of all these terms and conditions.

- b) Company shall at the time of sanction / disbursement of the loan, furnish a copy of loan agreements and related enclosures to the customer.

4. CHANGES IN TERMS & CONDITIONS AND DISBURSEMENT OF LOANS

- a) The Company shall give notice to all its borrowers of any change in the terms and conditions – including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable provision in this regard is incorporated in the loan agreement.
- b) Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- c) The Company shall release all securities on repayment of its full 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 its borrowers. If such right of set off is to be exercised, the borrower shall be given notice about the same with 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 will refrain from interference in the affairs of the customer except for the purposes provided for in the terms and conditions of the loan agreement (unless additional information, not earlier disclosed by the customer, has come to the notice of the Company).
- b) The Company will not discriminate loan applications based on grounds of sex, caste, color, creed and religion.
- c) In the matter of recovery of loans, our Company staffs are adequately trained to deal with customers and shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.

6. REGULATION OF INTEREST RATES CHARGED BY THE COMPANY

- a) Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our Portfolio Team. Prior to entering into an agreement with our customers, YSBFB provides them with the schedule of charges and interest and address their queries and questions on the same, to their satisfaction.

- b) Interest rates would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- c) Annual Percentage Rate (APR), which includes the interest rate and any associated fees shall also be disclosed in the Sanction Letter and Loan Agreement.
- d) The interest shall be deemed payable immediately on the due date as communicated. Applicable grace period for payment of principal is allowed.
- e) Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to our customers in writing.
- f) Besides interest, other financial charges like processing fees, origination fees, late payment charges, pre-payment / foreclosure charges, would be levied by the us wherever considered necessary as per the terms of the loan communicated. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect. A schedule of charges
- g) Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by us and it is at the sole discretion of the YSBFB to deal with such requests.
- h) Any revision in our interest rates applicable to business would be reviewed and approved by the Investment Committee.

7. PENAL CHARGES IN LOAN ACCOUNTS

Loan agreements may include "penal charges" for borrowers who breach material terms of the contract. These charges are distinct from interest and cannot be compounded onto the loan balance. YSBFB must establish a Board-approved policy outlining these charges in a fair and non-discriminatory manner within specific loan categories. Notably, charges for individual non-business borrowers cannot exceed those for similar breaches by business borrowers. The amount and justification for these charges must be clearly disclosed in the loan agreement, key terms, Key Fact Statement (KFS), and on the YSBFB website under "Schedule of Charges." Additionally, borrowers will be notified whenever reminders regarding non-compliance are sent and whenever penal charges are levied, along with the specific reason for the penalty.

8. RELEASE OF SECURITY

YSBFB shall release all the security and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the Loan Account.

9. GRIEVANCE REDRESSAL MECHANISM (GRM)

The Board of Directors of YSBFB has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes. Such a mechanism ensures that all disputes arising out of the decisions of the company are heard and disposed of at least at the next higher level. The customer can follow the below customer complaint process / GRM of YSBFB.

Grievance Channels of the Company:

Level 1

You can reach out to the respective Investment Manager for any grievances at their email IDs.

Level 2

In case, where the resolution provided by the Investment Manager is not satisfactory or if there is no response from the Investment Manager, Customers can raise grievances with the Principal Nodal Officer of the Company through the following channels:

- Email: asif.khan@yunussb.com
- Postal mail: Principal Nodal Officer, Yunus Social Business Fund Bengaluru Private Limited 103-106-107, Anjanapura Main Road, Avalahalli, JP Nagar 9th Phase, Bengaluru – 560062 India.

Level 3

In case, where the resolution provided by the Principal Nodal Officer is not satisfactory or if there is no response from the Principal Nodal Officer, Customers can raise grievances with the Managing Director of the Company through the following channels:

- Email: suresh@yunussb.com
- Postal mail: Managing Director, Yunus Social Business Fund Bengaluru Private Limited 103-106-107, Anjanapura Main Road, Avalahalli, JP Nagar 9th Phase, Bengaluru – 560062 India.

Escalation

If the complaint / dispute is not redressed within a period of 30 days by the Company, the customer may approach Ombudsman - Reserve Bank of India by following the below process to file a complaint under Reserve Bank- Integrated Ombudsman Scheme (RBI-IOS) 2021:

Procedure for filing the complaint before the RBI Ombudsman

A complaint can be filed through any of the following methods:

- i. Online - on CMS portal of RBI at <https://cms.rbi.org.in>.
- ii. Physical complaint (letter/post) in the form as specified in Annexure 'A' in the Scheme to "Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector -17, Central Vista, Chandigarh - 160017".
- iii. Complaints with full details can be sent by email (crpc@rbi.org.in).

Further details on the Reserve Bank- Integrated Ombudsman Scheme (RBI-IOS) 2021 are provided in the next section.

10. RESERVE BANK- INTEGRATED OMBUDSMAN SCHEME (RBI-IOS) 2021

Reserve Bank- Integrated Ombudsman Scheme (RBI-IOS) 2021 provides for cost-free redressal of customer complaints involving deficiency in services rendered by NBFC is regulated by RBI. If not result to the satisfaction of the customers or not reply to within a period of 30 days by the NBFC.

"Deficiency in service" means a shortcoming or an inadequacy in any financial service or such other services related thereto, which the NBFC is required to provide statutorily or otherwise, which may or may not result in financial loss or damage to the customer.

10.1. FEATURES OF (RBI-IOS) 2021

- a) Complaint Management System (CMS) portal for lodging of complaints <https://cms.rbi.org.in>.
- b) Centralised Receipt and Processing Centre for receipt and initial processing of complaints received through email/physical mode.
- c) Central reference point for complainants.
- d) Contact Centre with a toll-free number #14448 to provide assistance/information.

10.2. PROCEDURE FOR FILING OF COMPLAINT BY CUSTOMERS BEFORE THE RBI OMBUDSMAN

For redress of his grievance, the complainant must first approach the Company. If the Company does not respond within a period of 30 days after lodgment of the complaint or rejects the complaint wholly/partly or if the complainant is not satisfied with the response/resolution given by the Company, the complainant can lodge his complaint under the RB-IOS, 2021.

Approaching the RBI Ombudsman without first lodging a complaint with the Company or doing so before 30 days after lodging the complaint, if there is no response from the Company, would make the complaint non-maintainable under RB-IOs, 2021.

The complaint should be made to the RBI Ombudsman not later than one year after receiving the reply of the Company or, in cases where no reply is received, not later than one year and 30 days after the date of the representation to the Company.

10.3. PROCEDURE FOR FILING THE COMPLAINT BEFORE THE RBI OMBUDSMAN

A complaint can be filed through any of the following methods:

- a) Online - on CMS portal of RBI at <https://cms.rbi.org.in>.
- b) Physical complaint (letter/post) in the form as specified in Annexure 'A' in the Scheme to "Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector -17, Central Vista, Chandigarh - 160017".
- c) Complaints with full details can be sent by email (crpc@rbi.org.in).

10.4. TYPES OF COMPLAINTS NOT COVERED UNDER THE RBI-OS, 2021

Certain types of complaints which are classified as non-maintainable complaints due to various reasons as indicated below are not covered under RB-IOs, 2021:

- a) Complaints which are filed directly with the Ombudsman without first being taken up with the Company, in writing.
- b) Complaints which have been lodged with the Company, but a period of 30 days has not elapsed from such date of lodgment of the complaint with the Company, except for complaints for which the complainant has received a reply from the Company, and is not satisfied with the reply.
- c) Complaint made after one year from the date of receipt of the reply of the Company or, where no reply is received, later than one year and 30 days after the date of the representation to the Company;
- d) Complaints which have been already dealt with by Ombudsman/ CEPC or those under process/pending on the same cause of action and for similar relief (whether received from the same complainant or along with one or more complainants) with the RBIO;
- e) Complaints related to the commercial decision of the Company. For example: grant of a loan;
- f) Complaints related to any dispute between a vendor and the Company;
- g) Complaints addressed to other authorities and not directly addressed to Ombudsman;
- h) Complaints raising general grievances against the management or executives of the Company;

- i) Complaints pertaining to a dispute in which action initiated by the Company is in compliance of the orders of a statutory or law enforcing authority;
- j) Complaints related to any dispute involving employee-employer relationship of the Company;
- k) Complaints pending before any Court, Tribunal or Arbitrator or any other forum or authority; or, settled or dealt with on merits, by any Court, Tribunal or Arbitrator or any other forum or authority, whether or not received from the same complainant or along with one or more of the complainants/parties concerned;
- l) Complaints that are abusive or frivolous or vexatious in nature;
- m) Complaints made after the expiry of the period of limitation prescribed under the Limitation Act, 1963, for such claims;
- n) Complaints with incomplete details and those that are not specific/actionable in nature;
- o) Complaints lodged through an advocate (except where the advocate himself is the aggrieved person);
- p) Complaint in the nature of offering suggestions or seeking guidance or explanation.

10.5. PRINCIPAL NODAL OFFICER

The Board of Directors has appointed a Principal Nodal Officer to oversee and coordinate grievance redressal procedures and serve as the primary point of contact with the RBI Ombudsman.

11. DISPLAY OF INFORMATION FOR THE BENEFIT OF STAKEHOLDERS

YSBFB shall display the following information prominently at its places where business is transacted and also at the website of the Company:

- a) The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against YSBFB.
- b) The name and contact details of the Principal Nodal Officer and CMS Portal Link.
- c) Salient features of the RBI-OS 2021.
- d) This Fair Practice Code for the information of various stakeholders.

12. REVIEW OF THIS POLICY

The Board of Directors shall annually review the compliance of the FPC and the functioning of the GRM and Ombudsman Scheme. A consolidated report of compliance shall be submitted to the Board every year.

13. ADMINISTRATION & ADOPTION OF POLICY:

The Managing Director of the Company shall be responsible for the administration, interpretation, and application of this policy. The Managing Director of the Company also shall be empowered to bring about necessary changes to this Policy, if required at any stage with the concurrence of the Board. This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.