ANNAPURNA FINANCE PRIVATE LIMITED

Policy Guidelines on Fair Practice Code (FPC)

Version 7.0

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GROWING TOGETHER

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INTRODUCTION

Annapurna Finance Private Limited ("Annapurna" or 'the Company') is a Private Company registered with Reserve Bank of India (RBI) as an NBFC and has been reclassified as NBFC-MFI. It is also classified as Non-Banking Financial Company - Middle Layer. Annapurna provides microfinance services to the low-income households and individuals to improve their quality of life. Annapurna constantly endeavors to deliver quality services to its Borrowers by maintaining highest levels of transparency and integrity.

Annapurna ensures that the principles of responsible lending, transparency and core values are followed in letter and spirit. Annapurna follows various guidelines issued by Reserve Bank of India ("RBI") on Fair Practices Code for NBFC-MFIs, Chapter III (Responsible Lending Conduct) of **Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 dated November 28, 2025 as amended from time to time** and **Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025 dated November 28, 2025 as amended from time to time** establishing standards for fair business conduct and corporate practices in their dealings with customers. In compliance with these guidelines, Annapurna has formulated its Fair Practices Code Policy in accordance with the earlier directions including Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Master Directions, 2023, dated October 19, 2023 ('RBI-SBR Directions'), as amended from time to time, along with other applicable circulars and guidelines and follow practice to update regularly in due time.

OBJECTIVE

- To formulate Fair Practices Code (FPC) and lay down the process and guidelines for effective implementation of FPC and to comply with the guidelines issued by the Reserve Bank of India (RBI) and other regulatory bodies, ensuring that the company's operations are in line with the prescribed norms.
- To promote fair, transparent, and ethical practices in all dealings with customers, ensuring that customers are treated with dignity and respect.
- To establish a robust mechanism for addressing customer grievances promptly and effectively, thereby enhancing customer trust and satisfaction.
- To adopt recovery practices that are respectful and non-coercive, ensuring that customers are not subjected to undue pressure or harassment.

- To provide customers with clear and concise information about products and services, enabling them to make informed decisions.
- To protect Borrowers from fraud, misrepresentation, deception and unethical practices.

To regularly review and update the Fair Practice Code to incorporate best practices and address emerging challenges in the financial sector.

DEFINATIONS

In this Policy, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:

a) "**Board of Directors**" or "**Board**" or "**BOD**" shall mean Board of Directors of the Company.

b) "**Company**" shall mean Annapurna Finance Private Limited/ AFPL.

c) "**Head Office**" shall mean Registered office of the company i.e. in Bhubaneswar, Odisha.

d) "**Master Direction**" or "**RBI Direction**" shall mean **Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 dated November 28, 2025** including amendments or updates if any or any other Directions issued by RBI and applicable to company being NBFC-MFI. The applicability under these Directions is in line with the regulatory structure for NBFCs as set out in Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

e) "**NBFC-ML**" shall mean Non-Banking Financial Company -Middle Layer

f) "**NBFC-UL**" shall mean Non-Banking Financial Company – Upper Layer

g) **"Key Facts Statement (KFS)"** is a statement of key facts of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardised format.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neutral gender.

Words and expressions used but not defined in this Policy shall have the same meaning as ascribed to them in the Act / Regulations, and the rules made thereunder, as the case may be or in any subsequent amendment thereto. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by the Regulatory Authority from time to time.

FAIR PRACTICE CODE

"Pursuant to the applicable RBI Directions, company has framed and adopted the standard form of Fair Practices Code (FPC) issued and adopted in a language understood by the borrower as given in **Annexure** of this Policy which shall apply to all offices including the Head Office and branch offices across India of the Company. The FPC is binding on all employees and officers of the Company.

The Company is committed to adopting the best practices prescribed by the Reserve Bank of India (RBI) from time to time and will make necessary modifications to this Code, as required, to ensure continued compliance with such standards."

REVIEW, MONITORING AND EVALUATION

This policy along with the standard format as outlined in "Annexure" shall be reviewed and evaluated by the Board at least once a year and modified, as and when subject to revision and amendment in accordance with the applicable laws as may be issued by relevant authorities, from time to time.

The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at Annual basis.

CLARIFICATIONS/AMENDMENTS/ MISCELLANEOUS

This Policy has been made in consonance with the contemporary rules, regulations and laws prevailing in India. However, if, due to subsequent changes in the law, a particular provision or part thereof becomes redundant or is inconsistent with the law, in such case the applicable provisions of the law shall prevail.

DISCLOSURE REQUIREMENT

The Policy shall be placed on the website of the company, and the salient features of the policy and changes therein, if any in compliance with para 21 of Chapter III of RBI Master Direction on Responsible Business Conduct 2025. The Company shall put the standard format of Fair Practices Code as outlined in **"Annexure".**

The FPC in vernacular language shall be displayed by the company in its office and branch premises, for the information of various stakeholders.

ANNEXURE-

STANDARD FORMAT OF FPC REQUIRED TO BE DISPLAYED AT ALL OFFICES IN VERNACULAR LANGUAGES

FAIR PRACTICE CODE FOR LENDING TO MICROFINANCE BORROWERS

We at Annapurna Finance Pvt. Ltd. treat all our clients in a fair, ethical and unbiased manner. The Fair Practice Code (FPC) as per RBI guidelines has been placed before the Board at their meeting and thereby approved, the same has been displayed at all offices in vernacular language. The Fair Practice Code delineates that

- All communications to the borrower are to be made in the vernacular language or in a language understood by the borrower.
- Application shall include all information affecting the borrower interest such as scheme details, eligibility criteria, repayment period range, charges and interest rate structure, key conditions of compliance, contingencies etc.
- Application shall mention documents required for appraisal.
- Acknowledgement of application with time to dispose of is to be issued.
- In accordance with the recent RBI guidelines on IRACP norms, exact due dates for repayment of a loan, frequency of repayment, the breakup between principal and interest, examples of SMA/NPA classification dates, shall be clearly specified in the language understood by the borrower in the loan agreement and in the sanction letter in order to compute the overdue status.
- The company provides microfinance collateral-free loans to households as per the RBI prescribed norms. Here 'household' shall mean an individual family unit, i.e., husband, wife, and their unmarried children.
- The information regarding the household income of the clients is to be duly submitted to the Credit information companies (CICs).
- While considering loan sanctions, the company ensures that a household's monthly loan repayment outflows do not exceed 50% of its total monthly household income.
- While calculating monthly loan repayment obligations, the Company considers all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household.

- Repayments (including both principal and interest components) on all current loans, as well as the loan under consideration, are included in the outflows capped at 50% of monthly household income.
- Existing loans with outflows of more than 50% of a household's monthly income due to debt payments are allowed to mature. Additional loans to these households are granted only when the required maximum of 50% has been met.
- In the event a borrower submits a request for transfer of their borrowal account to another institution, the Company shall communicate its consent or objections, if any, within 21 days from the date of receipt of such request. Any such transfer shall be governed by transparent contractual terms in accordance with applicable laws."
- The company follows a microfinance loan pricing policy agreed by the board of directors, which includes, among other things, the following:
  1. A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate.
  2. 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.
  3. The range of spread of each component for a given category of borrowers; and
  4. A ceiling on the interest rate and all other charges applicable to microfinance loans.

- Company is complying with the instructions contained in the RBI Direction No RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26 on **Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025** November 28, 2025 on 'Key Facts Statement (KFS) for Loans & Advances' as amended from time to time.
- The company ensures issuance of factsheet or Key Facts Statement (KFS) detailing pricing of loans for all types of loans to low-income Households.
- The company displays 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 detail on its website.
- The company performs customer wise risk gradation. This doesn't lead to the rationale for charging different rates of interest to different categories of borrowers and the company follows a Single rate of

interest for MFI Customers.

- The company shall provide a loan card to the borrower which incorporates the following:
    1. Information that adequately identifies the borrower.
    2. Simplified factsheet on pricing.
    3. All other terms and conditions are attached to the loan.
    4. Acknowledgements by the branch of all repayments received and the final discharge.
    5. Details of the grievance redressal system, including the name and contact number of the nodal officer.
    6. Issuance of non-credit products, which are only with full written consent of the borrower, if any, and the fee structure for such product.
    7. All entries in the loan card shall be in the language understood by the borrower.
- Training of staff includes sensitization on non-discrimination and the rights of persons with disabilities, as mandated by law and international conventions. Employees are trained to assist physically/visually challenged applicants in availing business facilities. Grievance redressal for such applicants is ensured under the existing mechanism.
- The company ensures compliance of KYC guidelines of RBI.
- The company provides the flexibility of repayment periodicity on microfinance loans as per the borrower's requirement.
- The Company takes reasonable steps to ensure that credit will be extended only if borrowers have demonstrated an adequate ability to repay and loans will not put borrowers at significant risk of over-indebtedness.
- The company explicitly discloses all the fees charged to the microfinance borrower in the factsheet. No additional fees are charged to the microfinance borrowers which are not specifically mentioned in the factsheet.
- The company shall inform the borrower well in advance regarding any change in the interest rate or any other change and these changes are effective only prospectively.
- The company ensures to provide valid acknowledgment receipts for all the payments received.
- There is no penalty charged on prepayment or on delayed payment and no Security Deposit/ Margin is collected from the borrower for a microfinance loan.

- AFPL through its concerned branch is accountable for inappropriate behavior by its employee and shall provide timely grievance redressal. It is also mentioned in the loan agreement.
- Recovery is done at a designated / central designated place decided mutually with the borrower. The Field staff are only allowed to make recovery at the place of residence or work of the borrower only if the borrower fails to appear at a central designated place on two or more successive occasions.
- The recovery official shall not adopt any harsh method towards recovery, which is outlined as under without limiting the general application and understanding:
  1. Use of threatening or abusive language
  2. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
  3. Harassing relatives, friends, or co-workers of the borrower
  4. Publishing the name of borrowers
  5. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
  6. Misleading the borrower about the extent of the debt or the consequences of non-repayment

- In the event of any grievance of the borrower regarding recovery and staff behavioral issues, he / she may approach the Branch Manager or Zonal Manager for redressal. The contact number of the authorities will be provided to the borrower at the time of sanction of loan.
- There is also a provision of penalties to be imposed on the field staff in cases of non-compliance of Code of conduct. Only employees of the company and no outsourced recovery agents are used for recovery in sensitive areas.
- The Company has Board approved policy with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision.
- The Company's Board shall annually review on adherence to Fair practice code as per RBI guidelines.
- The Company complies with high ethical standards while interacting with clients and ensures that adequate safeguards are in place to detect and correct corruption or mistreatment of clients.
- The Company has put in place an appropriate Grievance Redressal Mechanism (GRM) within the company, as approved by the Board of Directors to resolve the disputes and ensure such grievances are addressed and disposed off at one higher level.

- The GRM process, as per RBI guidelines, is being prominently displayed in each of our offices in local vernacular language, which contains the contact details of the Grievance Redressal Officer (GRO) of the company and the Officer-in-Charge of RBI's Regional Office.
- Grievance Redressal Mechanism also identifies the borrowers facing repayment-related difficulties, engages with such borrowers and provides them with necessary guidance about the recourse available.
- Training of staff specially focuses on-

  1. Appropriate behaviour towards customers,
  2. Methodologies of necessary enquiries regarding the household income and existing debt of the household.
  3. Documentation and Disbursement process,
  4. Recovery without harsh measures and through specified processes,
  5. Reporting to higher authorities the grievances of borrowers,
  6. Compliance of all regulatory guidelines as per this policy document.

- Compensation methods for staff give more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.
- The company takes responsibility for compliance of RBI guidelines and necessary organizational arrangements has been made to assign responsibility for compliance to designated individuals within the company and to establish systems of internal control including audit and periodic inspection to ensure the same.
- The Company shall use a standard form of loan agreement for microfinance loans, drafted in a language understood by the borrower. A copy of the executed loan agreement, together with copies of all enclosures referred to therein, shall be furnished to the borrower at the time of sanction or disbursement of the loan, in compliance with paragraph 77 of Chapter III of the RBI Directions, 2025.
- The fee structure for any non-credit product issued to a microfinance borrower shall be communicated explicitly in the loan card itself, and such product shall be issued only with the full and informed written consent of the borrower, in compliance with paragraph 80 of Chapter III of the said Directions.
- Without prejudice to the prohibition on pre-payment charges set out above, the Company clarifies that any delayed payment charges on microfinance loans shall be levied only on the overdue amount and not on the entire loan amount, in compliance with paragraph 81 of Chapter III of the said Directions.

- Where the Company offers any borrower-facing training, financial literacy or capacity-building programme, such training shall be provided free of cost to the borrower, in compliance with paragraph 88 of Chapter III of the said Directions.
- The Company shall maintain a dedicated mechanism for the redressal of grievances arising out of the recovery of microfinance loans, distinct from the general grievance redressal mechanism. The contact details and escalation matrix of this dedicated recovery-grievance mechanism shall be communicated to every borrower at the time of loan disbursal and shall be displayed at all branches and on the Company's website, in compliance with paragraph 92 of Chapter III of the said Directions.

FAIR PRACTICE CODE FOR LENDING TO RETAIL AND MSME BORROWERS

In addition to the Fair Practice Code applicable to microfinance borrowers set out above, the following provisions shall apply to all retail and Micro & Small Enterprise (MSME) term loans extended by the Company, in compliance with Section B of Chapter III (Key Facts Statement for Retail and MSME Borrowers) and other applicable provisions of the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025:

- The Company shall issue a standardized Key Facts Statement (KFS) in the format prescribed at Annex I of the said RBI Directions, 2025, to all retail and MSME term loan borrowers prior to the execution of the loan agreement. The KFS shall summarise the key terms of the loan, including the Annual Percentage Rate (APR), all fees and charges, contingent charges, and the recovery mechanism, and shall be provided in a language understood by the borrower.
- The KFS shall form an integral part of the loan documentation, and no fees, charges or recoveries shall be levied on the borrower other than those expressly disclosed in the KFS, save with the borrower's explicit written consent.
- For fixed-rate loans pre-payment charges, if any, shall be governed by the Company's Board-approved interest and charges policy and shall be disclosed transparently in the KFS and the loan agreement.
- Credit shall be extended to retail and MSME borrowers only after a documented assessment of repayment capacity, and the Company shall not engage in lending practices that put borrowers at undue risk of over-indebtedness.
- The Company shall report all retail and MSME loans to Credit Information Companies (CICs) in the manner and within the timelines prescribed under applicable RBI Directions and shall update such reports promptly upon repayment, restructuring or closure of any loan.
- Recovery of retail and MSME loans shall be conducted in a fair and non-coercive manner. The Code of Conduct, recovery hours, training, and grievance redressal

standards prescribed under this Policy for microfinance lending shall apply mutatis mutandis to retail and MSME borrowers, save where the regulatory framework prescribes a different standard for such loans.

- The Grievance Redressal Mechanism, Nodal Officer disclosures and Reserve Bank–Integrated Ombudsman Scheme details set out elsewhere in this Policy shall apply equally to all retail and MSME borrowers, with appropriate signage at the Company's offices and on its website in a language understood by the borrower.

PENAL CHARGES IN LOAN ACCOUNTS

The following provisions shall apply to all credit facilities offered by the Company, save those exempted under paragraph 30 of Chapter III of the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025:

- Any penalty levied for non-compliance of the material terms and conditions of the loan contract by the borrower shall be treated as "penal charges" and shall not be levied in the form of "penal interest" added to the rate of interest charged on the advance.
- There shall be no capitalisation of penal charges; no further interest shall be computed on such charges, and additional or fresh penal charges shall not be levied on the earlier outstanding amount of penal charges.
- Penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract, shall not be discriminatory within a particular loan / product category, and shall not be used as a revenue-enhancement tool. The Company shall maintain a Board-approved policy specifying the structure and quantum of penal charges.
- The penal charges applicable to individual borrowers for purposes other than business shall not be higher than those applicable to non-individual borrowers for similar non-compliance.
- The quantum and reason for penal charges shall be clearly disclosed to the borrower upfront in the loan agreement, the Most Important Terms & Conditions / Key Facts Statement (as applicable), and on the Company's website. Reminders for non-compliance and any actual levy of penal charges shall communicate the applicable charge and the reason therefor. In respect of existing loans, the switchover to the new penal-charges regime shall be effected on the next review or renewal date.

REPOSSESSION OF VEHICLES FINANCED BY NBFCs

The following provisions, drawn from paragraphs 26 and 27 of Chapter III of the said Directions, requires the company to have a built-in repossession clause in the contract/ loan agreement with the borrower along with a copy of the terms and conditions made available to the borrower which must be legally enforceable having the following provisions:

- Notice period before taking possession;
- Circumstances under which the notice period can be waived;
- The procedure for taking possession of the security;
- A provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
- The procedure for giving repossession to the borrower; and
- The procedure for sale/auction of the property.

LENDING AGAINST GOLD & SILVER COLLATERAL

Company is complying with the instructions as mentioned in RBI Direction No RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26 on Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 November 28, 2025 on 'Lending against Gold & Silver Collateral' as amended from time to time.

- The company shall display on its website the methodology adopted by it for determination of net weight of the gold and silver content of the eligible collateral and the price used to value the gold and silver content of the eligible collateral for determination of LTV ratio.
- The loan agreement shall cover the description of the eligible collateral taken as security, value of such collateral, details of auction procedure and the circumstances leading to the auction of eligible collateral, notice period before auction, timelines for release of collateral, refund of surplus if any.
- All charges payable by borrowers, including those related to assaying, auction, etc., shall be clearly incorporated in the loan agreement and KFS.
- A certificate or e-certificate in duplicate in the company's letterhead shall be prepared while accepting eligible collateral.
- The company shall return or release the pledged collateral on the same day but in any case not exceeding a maximum period of seven working days upon full repayment or settlement of the loan.
- The company shall implement a transparent auction procedure including announcement of the auction to the public by issue of advertisements in atleast one regional and one national daily newspaper.
- In case of any damage to the pledged collateral by the company during the tenor of loan, the cost of repair shall be borne by the company.
- In case Gold & Silver collateral remains unclaimed beyond 2 years from the date of full repayment it shall be treated as unclaimed collateral and a report for the same shall be put up to the Customer Service Committee of the Board at half-yearly intervals for review.

RELEASE OF MOVABLE / IMMOVABLE PROPERTY DOCUMENTS

In compliance with paragraphs 35 to 41 of Chapter III of the said Directions, the Company shall observe the following in respect of all loans secured by movable or immovable property collateral:

- The Company shall release all original movable / immovable property documents and shall remove charges registered with any registry within a period of 30 days after full repayment or settlement of the loan account.
- The borrower shall be given the option of collecting the original documents either from the branch where the loan was serviced or from any other office of the Company where the documents are available, as per the borrower's preference. The timeline and place of return shall be specified in the sanction letter.
- The Company shall maintain a Board-approved procedure to address the contingency of the demise of the sole borrower or joint borrowers, providing for the return of original documents to the legal heirs. This procedure shall be displayed on the Company's website as setout in Annexure A

Where there is a delay attributable to the Company in releasing the original documents or in filing the charge-satisfaction form with the relevant registry beyond 30 days after full repayment or settlement, the Company shall communicate the reasons for the delay to the borrower and shall compensate the borrower at the applicable RBI direction at prescribed rate for each day of delay.