

GODREJ FINANCE LIMITED

Fair Practice Code

Background

Godrej Finance Limited (“GFL” or “the Company”), as a Non-Banking Financial Company, is required to comply with the ‘Guidelines on Fair Practices Code’ issued by the Reserve Bank of India (“RBI”) under Chapter VII Master Direction – Reserve Bank of India (Non-Banking as updated from time to time. Accordingly, it is proposed to adopt Fair Practice Code with the approval of the Board.

Objectives

- To promote good and fair practices by setting minimum standards in dealing with customers,
- To increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services,
- To promote a fair and cordial relationship between customer and the Company.

Adherence to Fair Practice Code in Loan Process

Company shall ensure that all communications to the borrower are made either in the vernacular language or a language as understood by the borrower.

Loan Application

- Loan application forms should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower,
- The loan application form will indicate the documents required to be submitted with the application form,
- The Company has a system of giving acknowledgement for receipt of all loan applications.
- Preferably, the time frame within which loan applications will be disposed of should also be indicated in the acknowledgement.

Loan appraisal, terms/ conditions

The Company will

- convey in writing to the borrower in the vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record,
- mention the penal charge which will be charged for late repayment in bold in the loan agreement,
- furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of disbursement of loans through its Customer Portal which can be accessed by the Borrower.

Interest charged by Company

- The Board of Company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium which helps in determining the rate of interest to be charged for loans and advances,
- Boards of Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. While doing so,

directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans shall be kept in view

- The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers is disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter,
- The rate of interest shall be annualised rate so that the borrower is aware of the exact rates that would be charged to the account,
- The rates of interest and the approach for gradation of risks shall also be made available on the website of Company,
- The information published on the website shall be updated whenever there is a change in the rates of interest.

Penal Charges in Loan Accounts

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- Penal charges shall not be capitalized (no further interest computed on such charges)
- There shall be no additional component to the rate of interest
- The quantum of penal charges will be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of NBFCs under Interest rates and Service Charges.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the Company shall communicate applicable penal charges and the reason therefor to borrowers in case of levying charges.

Disbursement of loans including changes in terms and conditions

- The Company shall give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. by the mechanisms informed in Loan Agreement,
- Company will ensure that changes in interest rates and charges are effected only prospectively & a suitable condition in this regard will be incorporated in the loan agreement,
- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement,
- Company shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim Company may have against borrower,
- 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 Company are entitled to retain the securities till the relevant claim is settled/ paid.

Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans

Company shall ensure that at the time of sanction, borrower is informed about possible rate change and Borrower shall be provided with following options at the time of reset of interest rate:

- a) Enhancement in EMI or
- b) Elongation of tenor or
- c) Combination of both options
- d) Switch over to a Fixed Interest Rate
- e) Prepay, either in part or in full, at any point during the tenor of the loan

The Borrower shall be allowed to switch interest rates any number of times during the tenor of the loan. Conversion / Switch / Prepayment Charges shall be applicable as per Schedule of Charges.

The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

Company shall communicate details prescribed in the guidelines to Borrower on quarterly basis.

Release of Movable / Immovable Property Documents

Company shall release all the original movable / immovable property documents and remove charges registered with registry within a period of 30 days after full repayment/ settlement of the loan account.

Company shall provide option to Borrower collect property documents from Home Branch or any other branch as per Borrower's preference

The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.

To address the contingent event of demise of the sole borrower or joint borrowers, Company has a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure is displayed on the website of the Company along with other similar policies and procedures for customer information.

In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the NBFC, it shall compensate the borrower as per extant regulations.

In case of loss/damage to original movable/immovable property documents, either in part or in full, Company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as extant regulations.

General Guidelines

- There shall be no interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement unless new information, not earlier disclosed by the borrower, has come to the notice of the Company,
- In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law,
- In the matter of recovery of loans, undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. is strictly restricted and is against the Company's code of conduct. Regular training to all staff that interacts with customers shall be organized for appropriate behaviour with customer,
- The Company shall charge foreclosure charges/ pre-payment penalties as per prescribed guidelines.
- Company does not extend any loan to any micro-finance borrower.

Pre-payment penalties post 01st January 2026

Following guidelines for pre-payment shall become applicable from 01st January 2026:

Company shall adhere to the following Directions regarding levy of pre-payment charges on all **floating rate** loans and advances:

- (i) For all loans granted for purposes other than business to individuals, with or without co-obligant(s), Company shall not levy pre-payment charges;
- (ii) For all loans granted for business purpose to individuals and MSEs, with or without co-obligant(s) Company shall not levy any pre-payment charges on loans with sanctioned amount/ limit up to ₹50 lakh.

The above guidelines shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock-in period.

Applicability of above guidelines for dual/ special rate (combination of fixed and floating rate) loans will depend on whether the loan is on floating rate at the time of pre-payment.

Pre-payment charges shall be based on the amount being prepaid.

Company may charge pre-payment penalty on any amount paid, in part or full, through any source, as per Interest Rate & Charges Policy of the Company.

Company shall not levy any charges where pre-payment is effected at its own instance.

Responsibility of Board of Directors

- a) The Board of Directors of Company have laid down a Grievance Redressal mechanism within the organization to resolve complaints and grievances which is enunciated in the Grievance Redressal Policy for the Organization.
- b) This mechanism ensures that all disputes arising out of the decisions of Company's functionaries are heard and disposed of at least at the next higher level.
- c) The Board of Directors shall conduct an annual review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

Complaints and Grievance Redressal

Guidelines for complaint and grievance redressal are contained in Grievance Redressal Policy of the Company which is approved by the Board of Directors of Company.

Language and mode of communicating Fair Practice Code

Fair Practice Code is being disseminated through company website in vernacular language or a language understood by Borrower, for the information of various stakeholders.

Loan facilities to the physically/visually challenged by the Company

Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the company shall render all possible assistance to such persons for availing of various business facilities.

The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels.

Further, the Company is ensuring redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

Privacy and Confidentiality

All Personal Information of the borrowers both present and past shall be treated as Private and Confidential and shall be guided by the following principles & policies. The Company shall not reveal information or data relating to borrower accounts, whether provided by the customers or otherwise, to anyone, including our affiliates other than in the following exceptional cases:

- If the Company is required to provide the information to any statutory or regulatory body or otherwise required under any law,
- If there is a duty towards the public to reveal the information,
- If Company's interests require them to give the information (for example, to prevent fraud). However, it will not be used as a reason for giving information about borrower or borrower's accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes,
- If the borrower has authorized the Company to provide such information to its group / associate / entities or companies or any such person/ entity as specifically agreed upon,
- If Company are asked to give a reference about borrower, they shall obtain his/ her written permission before giving it,
- The borrower shall be informed the extent of his/ her rights under the existing legal framework for accessing the personal records that GFL holds about him/ her, through the Privacy Policy available on website,

Company shall not use customer's personal information for marketing purposes by anyone including Company, unless the customer specifically authorizes to do so

Loans sourced over Digital Lending Platforms (DLP)

For loans which are extended through DLP either to source borrowers and/ or to recover dues, Company shall comply with the instructions contained in circular on 'Guidelines on Digital Lending' dated

September 02, 2022 and Guidelines on Default Loss Guarantee (DLG) in Digital Lending dated June 8, 2023, as amended from time to time and follow the following instructions:

- Names of digital lending platforms engaged as agents shall be disclosed on the website of Company,
- Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the Company on whose behalf they are interacting with him,
- Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Company,
- A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/disbursement of loans,
- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by Company,
- Company shall also update its grievance redressal mechanism and include Digital Lending Platform under it.

Key Facts Statement (KFS) for Loans & Advances

- a) Key Facts of a loan agreement between the Company /a group of Companies and a borrower shall mean as legally significant and deterministic facts that satisfy basic information required to assist the borrower in taking an informed financial decision.

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 standardized format as detailed under RBI Circular on Key Facts Statement (KFS) for Loans & Advances dated April 15, 2024 as amended from time to time.

- b) The Company will provide a KFS to all prospective borrowers along with Sanction Letter to help them take an informed view before executing the loan contract. The KFS will be written in a language understood by such borrowers. Contents of KFS will be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.
- c) The KFS will contain Loan number (unique proposal number) and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.

Validity period refers to the period available to the borrower, after being provided the KFS by the Company, to agree to the terms of the loan. The Company shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

- d) Annual Percentage Rate (APR) is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility which will be provided to the Borrower in KFS.
- e) There are no charges recovered from the borrowers by the Company on behalf of third-party service providers on an actual basis, such as insurance charges, legal charges etc..

- f) Any fees, charges, etc. which are not mentioned in the KFS, will not be charged by the Company to the borrower at any stage during the term of the loan, without explicit consent of the borrower.
- g) The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

Review of the Code

- The Code shall be reviewed Annually by the Board of Directors.
- Board of Directors can at any time modify or amend, either the whole or any part of Policy
- Compliance confirmation with Fair Practice Code shall be provided on Annual basis to the Board of Directors,
- Half-Yearly report on grievance redressal mechanism be put to the Board of Directors

----***----