



POLICY ON CODE OF CONDUCT

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TABLE OF CONTENT

1. Introduction	3
2. Objective	3
3. Integrity and Ethical Behaviour	3
4. Transparency	4
5. Client protection	4
a. Fair practice	4
b. Avoiding over-indebtedness	5
c. Appropriate interaction and collection practices	6
6. Privacy of client information	6
7. Governance	7
8. Recruitment	7
9. Client education	8
10. Data sharing	8
11. Mechanism for complaint resolution	8

INTRODUCTION:

Fusion Microfinance Private Limited, an NBFC registered to the Reserve Bank of India. Fusion is head quartered in New Delhi and is operational in the less penetrated North Central part of India (Madhya Pradesh, Uttarakhand, Uttar Pradesh, Haryana and Delhi). Fusion microfinance has a social vision and business orientation aiming to provide underprivileged women with economic opportunities to transform the quality of their lives.

Fusion has been following MFIN's Code of Conduct since its inception to improve quality of lending, transparency, grievance redressal, ethical behaviour and client protection.

MFIN:

Microfinance Institution Network (MFIN) is a Self-regulatory Organization (SRO) in the financial service sector recognized by the Reserve Bank of India (RBI). MFIN works closely with NBFC – MFIs and plays an active part in the larger financial inclusions dialogue through the medium of microfinance.

OBJECTIVE:

- Lay down a comprehensive guidelines on code of conduct in order to achieve organization's core objectives.
- Ensuring effective dissemination of code of conduct throughout the organization and stake holders.
- Benefiting the clients by Inculcating/Ingraining the values of code of conduct into the fabric of the organization.

Code of Conduct

Fusion Microfinance Pvt. Ltd. shall adopt and practice the code of conduct as stated hereunder in letter and spirit.

1. INTEGRITY AND ETICAL BEHAVIOUR

- I.** The company shall put strong systems and promote good governance practices within the organization.
- II.** The company shall adhere to the Fair Practice Code, Client Protection Principle, and Code of Conduct.

- III. All the compliances should be regularly audited and presented in the 'Board' meeting.
- IV. The company shall follow International Finance Corporation (IFC)'s Social and Environmental Policy while lending to any clients and shall enquire about their business and activities.

2. **TRANSPARENCY**

- I. The company must disclose complete information to the clients regarding the loan products such as interest amount, number of instalments, instalment amount, loan processing fee, insurance premium etc.
- II. The company must reveal list of all the charges that a client incurs in the loan passbook.
- III. The flat and reducing rate of interest shall be clearly printed in all the loan cards.
- IV. The company shall display Fair Practice Code, Client Protection Principle and Code of Conduct in vernacular language in all the branches.
- V. The company shall report financial and social data to Microfinance Information Exchange (MIX) and MFtransparency.
- VI. All the documents related to the clients shall be in vernacular language.

3. **CLIENT PROTECTION**

A. **FAIR PRACTICE**

- I. The company shall treat all its clients with respect and dignity.
- II. The company ensures that the services are provided to the eligible clients as per RBI guidelines.
- III. The company shall complete documents requirements as per the standard KYC norms.
- IV. The disbursement shall take place at the branch in the presence of all the centre members and branch staffs.
- V. The staffs must not indulge in any kind of misbehaviour while interacting with the clients.
- VI. The staffs must keep in mind the appropriate timing to visit clients' house for loan related work.

- VII.** The staffs must not visit clients on inappropriate occasions such as sickness, death etc.
- VIII.** The company shall provide induction trainings as well as classroom trainings to all the staffs at the branch on Fair Practice code, Code of Conduct, Staff Code of Conduct and Client Protection principle to ensure respectful treatment of clients and fair collection practices.
- IX.** The company shall provide training to the relationship officers (RO) on 'Staff Code of Conduct' drafted by the company itself.
- X.** The internal audit teams shall monitor staff's ethical behaviour and professional conduct with the clients.
- XI.** The company must comply with the pricing guidelines of Reserve Bank of India (RBI).
- XII.** The company shall charge no penalties to the clients for prepayment.
- XIII.** The company shall provide flexibility to the clients to close their loans whenever they wish to.

B. AVOIDING OVER-INDEBTEDNESS

- I.** The company must adhere to the total debt limit, processing fee, interest and insurance premium as prescribed by the Reserve Bank of India (RBI).
- II.** The company shall take into consideration that the area is not overly penetrated while opening new branch.
- III.** The company shall use pin code analysis report from the credit bureau to understand the indebtedness of the clients.
- IV.** The company shall share clients' data with the credit bureaus such as Equifax and Highmark to check their level of indebtedness. While making any credit decision, if a client has loans from two separate MFIs then the company shall not be the third lender to that client.
- V.** The company shall train branch staffs to make necessary enquiries with regard to existing debt of the borrowers and shall ensure the repayment capacity of the clients.
- VI.** The company shall also enquire about clients' credit health from informal sources.
- VII.** Relationship officers shall do cash flow analysis while filling up loan application forms of the clients. Branch manager shall verify the details filled by relationship officer during group recognition test (GRT).

- VIII.** The company shall enhance clients' awareness on the adverse effects of over-indebtedness, through financial literacy program during the three days of compulsory group training (CGT).

C. APPROPRIATE INTERACTION AND COLLECTION PRACTICES

- I.** The relationship officers (RO) shall practice and adhere to the 'Staff Code of Conduct' drafted by the company which clearly lay down guidelines for interaction with the clients.
- II.** The features of staff code of conduct are mentioned which shall be observed by the ROs at all the time
- III.** Staffs must talk politely, address the clients respectfully.
- IV.** Under no circumstance staff should talk harshly, loudly or use any threat, abusive or disrespectful language.
- V.** Staff should not show any aggression and should not indulge in confrontation, altercation with client or family members.
- VI.** On sensitive occasions such as death, accident, illness or any other tragedy, staff should inform the BM and should not insist on repayment either from the client or from the group members.
- VII.** Staffs will not use any physical force or enter dwellings of people.
- VIII.** Staffs will not visit clients before 8.00am and after 6.30 pm at any location for any business related work.

D. PRIVACY OF CLIENT INFORMATION

- I.** The company shall treat client's information and data as private and confidential.
- II.** During compulsory group training (CGT), the company shall make clients aware of sharing of their data with the third party.
- III.** Client data shall be stored in the company's Management Information System (MIS) which should be protected by required security system.
- IV.** The company shall seek client's consent on written disclosure in the loan application form on sharing client's data with the Credit Bureaus or any third party.
- V.** The company shall have rights enabled Management Information System (MIS) via a unique employee password which can be accessed by the particular employee only.

- VI.** The company shall store hard copies of client's files in the central warehouse of the company itself.
- VII.** The central warehouse can only be accessed by the Head of Information Technology (IT) and by his team members upon his approval.
- VIII.** No client data shall be kept at the branches.

4. GOVERNANCE

- I.** The company shall comply with all the RBI directives regarding the rate of interest, margin, no collateral, qualifying assets etc.
- II.** The company shall be transparent in maintaining books of accounts and shall get its financial statement audited by a reputed audit company.
- III.** The company shall have an 'Audit Committee' at the board level which should be headed by an independent director.
- IV.** The company shall have independent directors to constitute 1/3rd of Board of Directors.

5. RECRUITMENT

- I.** The company shall recruit employees through a fair recruitment practice.
- II.** The company shall recruit employees from other MFIs as well.
- III.** The company shall make it mandatory for the employees to furnish the original documents for verification.
- IV.** The company shall conduct a thorough reference check on the employees.
- V.** The company shall respond to the reference check requests from other MFIs.
- VI.** The company shall adhere to the 'Staff Code of Conduct' formulated by the company.

6. CLIENT EDUCATION

- I.** The company shall conduct three days of Compulsory Group Training (CGT) for the new clients to apprise them about the company, money management, joint liability, proper utilization of money earned and ill-effects of over borrowing.

- II. The 'Pictorial Tool Kit' designed by the company shall be used to educate clients on financial literacy.
- III. For the existing clients, the Company shall conduct compulsory Group Training (CGT) for two days only.
- IV. The company shall proactively work towards enhancing the awareness of the clients on the company's services, products, process and procedures.
- V. The company shall help clients understand their rights as borrower.

7. DATA SHARING

- I. The Company shall share clients' data with the RBI approved credit bureaus as per their guidelines.

8. MECHANISM FOR COMPLAINT RESOLUTION

- I. The company shall have an efficient and accessible grievance redressal mechanism for clients.
- II. The company shall act as per the 'Grievance Redressal Policy'.
- III. The company shall have a Toll-free helpline number for clients to record their grievances.
- IV. Display toll-free number on loan card, on the website and at the branches as well.
- V. The company shall have complaint registers available at the branches for clients to register their grievances at the branch level.
- VI. Provide clients with contact numbers of Relationship officers, Branch managers and Area managers in case they have any complaint.
- VII. Display an easy to read grievance redressal flow-charts in vernacular language at branches.
- VIII. The company shall provide training to the relationship officers to educate and improve client's awareness on Grievance redressal mechanism.
- IX. Educate clients on different channels of grievance redressal system as well as escalation processes during the three days of Compulsory Group Training (CGT).
- X. The company shall appoint 'Grievance Redressal Officer', a dedicated person in charge of attending to the calls received at the toll-free number and maintaining a grievance tracker.

- XI.** The grievance redressal officer shall respond to the grievances in prompt, efficient and courteous manner.
- XII.** The grievance redressal officer shall maintain a tracker of the grievances received on the toll-free number with utmost clarity and complete information.
- XIII.** The company shall have a clearly defined escalation matrix with a maximum turnaround time (TAT) of one week.
- XIV.** The company shall inform the concerned branch staffs about the grievances received from their area of operation.
- XV.** Grievances grave in nature must be escalated further. The head of Operations, Risk and the COO must be informed on this.
- XVI.** The 'grievance tracker' must be shared with the CEO and COO on monthly basis.
- XVII.** All the grievances received in a month should be discussed at the 'Management Risk Committee (MRC)'.
- XVIII.** The summary of grievances should also be shared presented to the board members at the quarterly 'Board Meeting'.