



POLICY ON CODE OF CONDUCT

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H- 1, Community Center, Naraina Vihar, New Delhi - 110028

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INTRODUCTION:

Fusion Microfinance Private Limited (Fusion), an NBFC - MFI registered with Reserve Bank of India. Fusion's head quarter is in New Delhi and is operational in the less penetrated North Central part of India i.e Madhya Pradesh, Uttarakhand, Uttar Pradesh, Haryana, Delhi, Bihar, Jharkhand, Orissa, Punjab, Chhattisgarh and Maharashtra. Fusion 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:

- Promote good and fair practices by setting standards in dealing with the customer.
- 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.** Fusion shall put strong systems and promote good governance practices within the organization.
- II.** Fusion shall adhere to the Fair Practice Code, Client Protection Principle, and Code of Conduct.
- III.** All the compliances shall be regularly audited and presented in the 'Board' meeting.
- IV.** Fusion shall follow International Finance Corporation (IFC)'s Social and Environmental Policy while lending to any clients and shall enquire about their business and activities.
- V.** Fusion shall design appropriate board approved policies and operating guidelines to treat clients and employees with fairness and dignity.
- VI.** The incentive structure for the staff shall aim at promoting good business and service practices towards customers.
- VII.** Through Group/Center meeting/Loan disbursement clients shall be educated on code of conduct and its adherence.

2. TRANSPARENCY

- I.** Fusion shall 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.** Communicate all the terms and conditions for all products/services offered to clients in the vernacular language or a language understood by them.
- III.** Disclose Rate of interest on a reducing balance method processing fee, total charges recovered for insurance coverage and risks covered and any other charges or fees howsoever described.
- IV.** Communicate in writing, charges levied for all financial services rendered. Fee on non-credit products/services will be collected only after prior declaration to the client.
- V.** Declare all interest and fees payable as an all-inclusive Annual Percentage Rate (APR) and equivalent monthly rate.
- VI.** The flat and reducing rate of interest shall be clearly printed in all the loan cards.

- VII.** Formal records of all transactions must be maintained in accordance with all regulatory and statutory norms, and borrowers' acknowledgment/acceptance of terms/ conditions must form a part of these records.
- VIII.** Place in public domain the assessment reports on code of conduct compliance.
- IX.** Annual reports and annual financial statements shall be put in public domain (preferably on their websites) after approval of their Board/AGM.
- X.** Fusion shall display Fair Practice Code, Client Protection Code in English and vernacular language in all its branches.
- XI.** All the documents related to the clients shall be in vernacular language.
- XII.** Shall disclose reasons for rejection of loan to applicants.

3. CLIENT PROTECTION

A. FAIR PRACTICE

- I.** Fusion shall treat all its clients with respect and dignity.
- II.** Fusion ensures that the services are provided to the eligible clients as per RBI guidelines.
- III.** Fusion shall complete documents requirements as per the standard KYC norms.
- IV.** The staffs shall not indulge in any kind of misbehaviour while interacting with the clients.
- V.** The staffs shall keep in mind the appropriate timing to visit clients' house for loan related work.
- VI.** The staffs shall not visit clients on inappropriate occasions such as sickness, death etc.
- VII.** Fusion 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.
- VIII.** Fusion shall provide training to the relationship officers (RO) on 'Staff Code of Conduct' drafted by Fusion itself.
- IX.** The internal audit teams shall monitor staff's ethical behaviour and professional conduct with the clients.
- X.** Fusion shall comply with the pricing guidelines of Reserve Bank of India (RBI).
- XI.** Fusion shall charge no penalties to the clients for prepayment.

- XII.** Fusion shall provide flexibility to the clients to close their loans whenever they wish to.
- XIII.** Fusion shall indicate the time taken within which customer can expect a decision on their application and if sanctioned, the time taken for disbursement of loan.

B. AVOIDING OVER-INDEBTEDNESS

- I.** Fusion shall adhere to the total debt limit, processing fee, interest and insurance premium as prescribed by the Reserve Bank of India (RBI).
- II.** Fusion shall take into consideration that the area is not overly penetrated while opening new branch.
- III.** Fusion shall use pin code analysis report from the credit bureau to understand the indebtedness of the clients.
- IV.** Fusion shall share clients' data with the credit bureaus such as Equifax and Highmark to check their level of indebtedness prior to extension of loan. While making any credit decision, if a client has loans from two separate MFIs then Fusion shall not be the third lender to that client. This shall be validated by credit bureau report prior to extension of loan.
- V.** Fusion 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.** Fusion shall also enquire about clients' credit health from informal sources.
- VII.** Relationship officers (RO) 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.** Fusion shall enhance clients' awareness on the adverse effects of over-indebtedness, through financial literacy program during the three days of compulsory group training (CGT).
- IX.** Fusion shall carry out test checks of efficacy of their processes relating to avoidance of over indebtedness through additional credit bureau check reports on select sample of clients after loan disbursements. The result of verification shall be reviewed by board periodically.

C. APPROPRIATE INTERACTION AND COLLECTION PRACTICES

- I. The relationship officers (RO) shall practice and adhere to the 'Staff Code of Conduct' drafted by Fusion 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 shall talk politely, address the clients respectfully.
- IV. Under no circumstance staff shall talk harshly, loudly or use any threat, abusive or disrespectful language.
- V. Staff shall not show any aggression and shall not indulge in confrontation, altercation with client or family members.
- VI. On sensitive occasions such as death, accident, illness or any other tragedy, staff shall inform the BM and shall 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.
- IX. Fusion shall provide valid receipt for every payment received from the borrower and record the payment in the loan passbook with the client.
- X. Fusion shall have a detailed Board approved process for dealing with clients, at each stage of default.
- XI. Fusion shall not collect shortfalls in collections from employees and their HR policies must categorically denounce this practice. However in proven cases of frauds by employees the MFIs can recover the money from employees.

D. PRIVACY OF CLIENT INFORMATION

- I. Fusion shall treat client's information and data as private and confidential.
- II. During compulsory group training (CGT), Fusion shall make clients aware of sharing of their data with the third party.
- III. Client data shall be stored in Fusion's Management Information System (MIS) which should be protected by required security system.
- IV. Fusion 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. Fusion shall have rights enabled Management Information System (MIS) via a unique employee password which can be accessed by the particular employee only.
- VI. Fusion shall store hard copies of client's files in the central warehouse of Fusion 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.
- IX. The privacy clause in the loan documents shall be in vernacular language and clearly mentioned.

4. GOVERNANCE

- I. Fusion shall comply with all the RBI directives regarding the rate of interest, margin, no collateral, qualifying assets etc.
- II. Fusion shall be transparent in maintaining books of accounts and shall get its financial statement audited by a reputed audit company.
- III. Fusion shall have an 'Audit Committee' at the board level which shall be headed by an independent director.
- IV. Observe high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body and seek to comply with the best standards stipulated in Companies Act, RBI regulations and the Stock Exchange regulations for listed companies (even though the MFIs may not be companies or listed in a stock exchange).
- V. Endeavour to have independent directors to the extent of 1/3rd of the Governing Board.
- VI. Board approved debt restructuring product/program for providing relief to borrowers facing repayment stress.
- VII. Appoint an audit committee of the Board with an independent director as chairperson
- VIII. Ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.
- IX. Put in best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).

- X. Place before the Board of Directors, a compliance report indicating the extent of compliance with this Code of Conduct and the functioning of the grievance redressal mechanism at various level of management, specifically indicating any deviations and reasons therefore, at regular intervals, as may be prescribed by Board.

5. RECRUITMENT

- I. Fusion shall recruit employees through a fair recruitment practice.
- II. Fusion shall recruit employees from other MFIs as well.
- III. Fusion shall make it mandatory for the employees to furnish the original documents for verification.
- IV. Fusion shall conduct a thorough reference check on the employees.
- V. Fusion shall respond to the reference check requests from other MFIs within two weeks.
- VI. Fusion shall honor notice period between employer and employee subject to a minimum of one month for an outgoing employee. This will exclude the cases where employees have violated Fusion ethics, practice and policy.
- VII. Fusion shall not recruit an employee of another MFI, irrespective of the grade/level of the employee, without the relieving letter from the previous MFI employer. An exception can however be made in instances where the previous employer (MFI) fails to respond to the reference check request within 20 days. All MFIs must provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards the MFI, except in proven cases of fraud or gross misconduct by the employee.
- VIII. Recruiting from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same block where he/she was serving at the previous employer, for a period of 1 year.

6. CLIENT EDUCATION

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

- II. The 'Pictorial Tool Kit' designed by Fusion shall be used to educate clients on financial literacy.
- III. For the existing clients, Fusion shall conduct compulsory Group Training (CGT) for two days only.
- IV. Fusion shall proactively work towards enhancing the awareness of the clients on Fusion's services, products, process and procedures. Customer feedback shall be gathered, as part of internal audit systems or through some other regular monitoring such as a system of calls to random sample of customers. The feedback from such monitoring shall be reported to the board periodically.
- V. Fusion shall help clients understand their rights as borrower.

7. DATA SHARING

- I. Fusion shall share clients' data with the RBI approved credit bureaus as per their guidelines, as per the frequency of data submission prescribed by MFIN, the SRO.
- II. Fusion shall provide the data and information called for by all supervisory and regulatory bodies including MFIN, the SRO.

8. MECHANISM FOR COMPLAINT RESOLUTION

- I. Fusion shall have an efficient and accessible grievance redressal mechanism for clients.
- II. Fusion shall act as per the 'Grievance Redressal Policy'.
- III. Appropriate mechanism for ensuring compliance with the Code of Conduct.
- IV. Display toll-free number on loan card, on the website and at the branches as well.
- V. Fusion shall have complaint registers and suggestion box 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.** Fusion 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 two to three days of Compulsory Group Training (CGT).
- X.** Fusion 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.** Fusion shall have a clearly defined escalation matrix with a maximum turnaround time (TAT) of seven working days.
- XIV.** Grievances grave in nature shall be escalated further. The head of concerned departments shall be informed on this.
- XV.** The summary of grievances shall also be shared presented to the board members at the quarterly 'Board Meeting'.
- XVI.** Fusion shall display contact number of RBI's NBFC Supervision at the branches.
- XVII.** Fusion shall display contact number and address of MFIN nodal official and details of the grievance redressal system of MFIN/RBI.