



LOLC India Finance Private Limited

CODE OF CONDUCT FOR STAFF

Version 1.0

July, 2024

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1. Background

LOLC India Finance Private Limited (“LOLC” or “the Company”) has obtained Certificate of Registration from the Reserve Bank of India (“RBI”) to operate as a Non-Banking Financial Company – Microfinance Institution (“NBFC-MFI”).

Microfinance is a field operations intensive business model whereby field/branch staff as well as Credit / Operations teams have to interact with borrowers from the low income segments. LOLC, as part of its corporate governance practice, believes in having high standards of conduct and behavior from its staff, especially from those who directly interact with customers. LOLC believes that having and adhering to a Code of Conduct would improve quality of lending, transparency, grievance redressal, ethical behaviour and borrower protection.

LOLC’s Code of Conduct (“the Code” or “CoC”) is in line with the Code of Conduct as per the Reserve Bank of India and Self-Regulatory Bodies: MFIN and Sa-Dhan.

This Code will apply to all employees, agents, and third parties employed/engaged by LOLC to conduct its day-to-day business activities.

2. Objective

- Lay down a set of comprehensive guidelines with respect to Code of Conduct
- Ensuring effective dissemination of Code of Conduct throughout the organization and stake holders
- Benefiting the borrowers by inculcating/ingraining the values of Code of Conduct into the fabric of the organization

3. Code of Conduct

The core Principles of the CoC to be followed by LOLC are:

- LOLC shall adopt and practice the code of conduct in ‘letter’ and ‘spirit’ at all levels.
- LOLC shall build progressive, sustainable, and borrower centric systems and practices to provide a range of financial services (compliant with regulation) to borrowers.
- LOLC is accountable for preventing inappropriate staff behavior and timely grievance redressal.
- LOLC shall promote cooperation and coordination between themselves and other agencies in order to achieve higher operating standards and avoid unethical practices – including competitive business practices - in order to serve borrowers better.
- The adherence to the CoC in LOLC shall be subjected to continuous monitoring at various levels through in-house and/or third party experts/agencies.
- Disclose the Code of Conduct assessment reports/summary of the report in public domain

4. Components of CoC

4.1 Integrity and Ethical Behaviour

- The Company shall put strong systems and promote good governance practices within the organization.
- The Company shall adhere to the Fair Practices Code and ensure that the staff and persons acting on their behalf are oriented and trained to put this Code into practice.
- We will educate our customers on the Code of Conduct and its implementation.

4.2 Transparency

- The Company will disclose all terms and conditions to the client for all services offered. Disclosure will be made prior to disbursement in accordance with the Reserve Bank of India's (RBI) Fair Practices Code, in any of the following ways: (a) Continuous Group Training, (b) Group recognition Test(c) Loan card/pass book, (d) Loan application Form and (e) through Centre meetings.
- The Company shall disclose all the charges that a borrower incurs in the loan card/ sanction letter including reducing rate of interest, processing fees, insurance charges etc. and obtain acceptance of the borrowers either individually or at a group level.
- The Company shall display Fair Practices Code and Grievance Redressal Policy in all its branches.
- All the documents related to the borrowers shall be in English/ vernacular language.

4.3 Borrower Protection Principle

4.3.1 Fair Practices

- The Company shall ensure that the provision of microfinance services to the eligible borrowers is as per RBI guidelines.
- The Company will obtain copies of relevant documents from its clients, as per standard KYC norms. Additional documents sought must be reasonable and necessary for completing the transaction.
- The disbursement shall take place at the branch in the presence of all the centre members and branch staff.
- The staff must keep in mind the appropriate timing to visit borrowers' house for loan related work.
- The staff must not visit borrowers on inappropriate occasions such as sickness, death etc.
- The Company shall provide induction trainings as well as classroom trainings to all the staff at the branch on Fair Practices code, Code of Conduct to ensure respectful treatment of borrowers and fair collection practices.

4.3.2 Avoiding Over-Indebtedness

- The Company will conduct proper due diligence as per its internal credit policy to assess the need and repayment capacity of client before making a loan and will only make loans commensurate with the client's ability to repay.
- The Company will not under any circumstance, breach the total debt limit for any client, as prescribed by RBI or Central/State Government(s).
- The Company shall take into consideration that the area is not overly penetrated while opening new branch.
- The Company shall share borrowers' data with credit bureaus to check their level of indebtedness.
- The Company shall train field/branch staff to make necessary enquiries about the existing debt of the borrowers.
- The Company shall also enquire about borrowers' credit health from informal sources.
- Branch Manager ("BM") shall verify the details filled by Field Officer during Group Recognition Test (GRT)
- The Company shall enhance borrowers' awareness on the adverse effects of over-indebtedness, through financial literacy program during the Compulsory Group Training (CGT).

4.3.3 Appropriate Interaction and Collection Practices

- The Field Officers shall practice and adhere to the 'Code of Conduct' of the Company which clearly lays down the guidelines for interaction with the borrowers.
- Under no circumstance staff should talk harshly, loudly or use any threat, abusive or disrespectful language.
- 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 borrower or from the group members.
- Staffs will not visit borrowers during odd hours at any location for any business related work.

- Staff will not enter into personal relationships with borrowers or will inform the company of such developments to make sure there are no conflicts in their interactions with customers and expected role to be performed for the Company.
- The Company will provide a valid receipt (physical/ digital) for each and every payment received from the borrower.

4.3.4 Privacy of Borrower Information

- The Company will keep personal client information strictly confidential.
- Client information may be disclosed to a third-party subject to the following conditions:
Client has been informed about such disclosure and permission has been obtained in writing especially for sharing data with Credit Bureaus and during hypothecation/ portfolio sell down/ securitization of loans or for any statutory requirement.

5. Recruitment

The minimum qualification necessary for the field staff shall be completion of 12th Standard Education, and shall involve functional training (both class-room & on-the job under a supervisor / senior field staff) involving its Standard Operating Procedures (SOP), Product & Credit Policy, the Fair Practices & Code of Conduct apart from other Procedural manuals.

- The Company shall recruit employees through a fair recruitment practice by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, portals etc.
- The Company may recruit employees from other MFIs as well. Whenever LOLC recruits from another MFI, it will be mandatory to seek a reference check from the previous employer. The reference check will be sought from current employer only after an offer is made and an offer letter is issued to the prospective employee.
- LOLC 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 30 days.
- We will provide 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
- The Company shall make it mandatory for the employees to furnish the original documents for verification.
- The Company shall respond to the reference check requests from other MFIs.
- Whenever LOLC recruits from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same area he/she was serving at the previous employer, for a period of 1 year.
- Any staff member who is discovered to have lied about his/her background of working with any other MFI, may be asked to leave immediately.

6. No bribery or corruption

Staff must not engage in any form of bribery or corruption. Staff must also take reasonable steps to ensure that any person who reports to them does not engage in any form of bribery or corruption in connection with their employment in the Company.

Bribery is not limited to cash or other payments in return for favours or favourable decisions. It includes offering, giving, promising, asking for or receiving (whether directly or indirectly) anything of value for

the purpose of inducing or rewarding a discretionary action or the exercise of influence, regardless of whether the person concerned is from the public or private sector or what country they are in or from. 'Value' can include cash, gifts, hospitality, personal, family, social or educational favours or other financial or non-financial benefits or advantages. Exchanges of gifts or hospitality (including travel and accommodation) may compromise – or appear to compromise and could amount to bribery or corruption.

Some examples of conduct that would amount to bribery or corrupt behaviour include:

- accepting money or another benefit in return for information which employees have as a result of their work for the company;
- receiving a benefit to give preferential treatment in the selection of a suitable candidate or use of a recruitment agency that supplies candidates to the company; or
- paying or offering an amount of money or other benefit to a government official with an intention to influence them in a decision.

7. Training of Staff

All field staff shall be mandatorily trained on below mentioned concepts as part of their Basic Level Training (Induction) and refresher trainings at periodical intervals:

- The importance of Fair Practices Code (FPC)
- The importance of Grievance Redressal Mechanism
- The importance of KYC and AML policy
- Their role in effective implementation of above policies
- Basic communication and soft skills to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices
- Collection policy and the appropriate ways to deal with the customers

Field staff shall be trained to offer training to borrowers and also make the borrowers fully aware of the procedure and systems related to loan/other products.

8. Client Education

- The Company shall conduct Compulsory Group Training (CGT) followed with Group Recognition Test (GRT) for the new borrowers to apprise them about the company, money management, joint liability, proper utilization of money earned and ill-effects of over borrowing.
- The Company shall educate borrowers on Financial literacy during GRT and collection meetings.
- The Company shall proactively work towards enhancing the awareness of the borrowers on the Company's services, products, process and procedures.
- Customers should be educated on the Fair Practices Code, grievance redressal mechanism and escalation matrix for their unresolved complaints, options, choices and responsibilities vis-à-vis financial products and services available
- New clients must be informed about the Company's policies and procedures to help them understand their rights as borrowers.
- Client education to be made through both printed materials and also through effective verbal communication as the literacy level among clients is generally low
- All efforts towards client awareness and education shall be free of cost for the borrower.

9. Data Sharing

The Company shall share borrowers' data with the RBI approved credit bureaus as per the regulatory guidelines. Any other sharing will be done with the explicit permission of customers.

10. Mechanism for Complaint Resolution

LOLC shall have a Board approved Customer Grievance Redressal Policy which shall detail the guidelines for receiving, handling and disposal of customer grievances, documentation, turn-around-time and escalation matrix for unresolved complaints, and a periodical review mechanism.

The Company shall provide training to the Field Officers to educate and improve borrower's awareness on Grievance redressal mechanism. The Company shall educate borrowers on different channels of grievance redressal system as well as escalation processes during the CGT

11. Non-Compliance to the Code

All the employees of the Company are obliged to follow the aforesaid Code of Conduct. In case any non-compliance is brought to the notice of the Management, necessary disciplinary action shall be initiated against the employee, as per the final decision of the Management of the Company.

Document Version

Title	Code of Conduct for Staff
Author	Balasubramaniam Mahadevan – Chief Operating Officer
Document version	Version 1.0
Version date	July, 2024
Reviewed By	Prashant Thakker- Executive Director
Approved By	Board dated: