

Fusion Finance Limited

(formerly known as Fusion Micro Finance Limited)

CODE OF CONDUCT (MFIN GUIDELINES)

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INTRODUCTION

Fusion Finance Limited (Formerly known as Fusion Micro Finance Limited), an NBFC - MFI registered with Reserve Bank of India. 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 inclusion dialogue through the medium of microfinance.

Objective

- Promote good and fair practices by setting standards in dealing with the customer.
- Lay down a comprehensive guideline on code of conduct amplifying Fusion's value system and to achieve organization's objectives.
- Ensuring effective dissemination of code of conduct throughout the organization and stake holders.
- Benefiting the customers by inculcating/ingraining the significance of code of conduct into the fabric of the organization.

Code of Conduct

Fusion Finance Limited (Formerly known as Fusion Micro Finance Limited), shall adopt and practice the Code of Conduct as stated hereunder in letter and spirit.

A. FAIR INTERACTION

- To ensure that customer is not unfairly discriminated against on grounds such as religion, caste, gender, marital status, sexual orientation, etc.
- Do not use coercion of any sort to make recovery of loans and encourage collection during the centre meetings at predesignated place.
- Do not contact customers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriages and births.
- A Fair Practices Code approved by the board shall be displayed in vernacular/a language understood by the customer in all the offices and the website.
- 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 customers. The staff shall talk politely and under no circumstance staff

shall use any disrespectful language, show any aggression, and indulge in altercation with customer or family members.

- Fusion shall provide a valid receipt for every payment received from the customer and record the payment in the loan passbook with the customers.
- Fusion shall have a detailed Board approved process for dealing with customers, at each stage of default.
- Fusion shall not collect shortfalls in collections from employees. However, in proven cases of frauds by employees the company can recover the money from employees.

B. SUITABILITY

- To ensure that the Interest rates and other charges/fees on microfinance loans are not usurious and there shall not be any pre-payment penalty charges.
- To ensure that the household income is properly computed by considering the income of the customers and other household members as applicable.
- To ensure that the CCIR remains current and valid, Fusion shall mandatorily submit timely (preferably daily) and accurate information including household income and other parameters to the Credit Information Companies (CICs).
- The microfinance provider shall follow a prudent lending criteria incorporating all relevant aspects of a client's profile, financial status, repayment behavior etc within the overarching household guidelines as mandated by RBI in 2022. The same will need to be duly approved by the designated approving authority of the company.
- Use a valid CCIR (Comprehensive Credit Information Report) for the customer and all the household members of the customer before sanctioning any loan.
- Relationship officers (RO) shall do an assessment of customer's household income as per approved company's policy on the same.
- Fusion shall enhance clients' awareness on the adverse effects of over-indebtedness, through a financial literacy program during the compulsory group training (CGT).

C. EDUCATION & TRANSPARENCY

- To ensure that the issuance of third-party products is done with full consent of the customers, kept voluntary and the fee structure for such products is explicitly communicated to the customer.
- To communicate all the terms and conditions for all products/services offered to customers in the vernacular language or a language understood by them. The communication could pertain to the terms and conditions of the loan, entries in the loan card, fair practices code, standard form of loan agreement, factsheet on pricing of the microfinance loan, and other such communication pertaining to the loan and non-credit products and their servicing.
- Take measures (such as training, assessment, and periodic interactions with customers) to ensure that customers fully understand the products, process, and terms of the contract.

- Provide a receipt/digital receipt/acknowledgement for every payment, including the digital payments, received from the customer.
- Emphasize on educating customers on the importance of timely repayment for good credit history with the CICs, benefits, risks and necessary safeguards of digital financial transactions and grievance redressal mechanism including internal and external escalation mechanism.
- Educate customers against blind trust on group and centre leader and how any default in the fictitious loan (also referred to as ghost lending/pipelining taken by group/ centre leader in customer's name) can ruin her credit records and access to credit in the future. This shall be a part of the Compulsory Group Training (CGT)/Group Recognition Test (GRT) process.
- Disclose the reason to the customer if her loan is rejected. For this purpose, an easily accessible channel through which the customer can enquire about the status of her application shall be provided.
- 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.
- Place in public domain the assessment reports on code of conduct compliance.
- Annual reports and annual financial statements shall be put in public domain (preferably on their websites) after approval of their Board/AGM.
- Fusion shall display Fair Practice Code, Client Protection Code in English and vernacular language in all its branches.

D. INFORMATION & PRIVACY

- Obtain copies of KYC documents from customers as per the RBI norms.
- Upload accurate and comprehensive customer data with all RBI approved Credit Information Companies (CICs) as per Uniform Credit Reporting Format.
- Take the customer's consent for checking her CCIR and her acceptance of the terms and conditions of the loan. Consent shall also be obtained from the customer's household members for checking their CCIRs as per the extant regulations and laws.
- Promptly address any dispute raised by the customers about their data with CICs.
- Fusion shall have a system to safeguard customer and customer's household members' data as per the accepted principles of data protection including collection limitation, purpose specification, use limitation, incorporation of access controls etc.
 - Keep customer and customer's household members' personal information strictly confidential. This information may be disclosed to a third-party subject to any of the following conditions: Such information is required to be provided under the law or it is provided for a mandated business purpose (for example, to credit information companies)
 - Customer/customer's household members have been informed about such disclosure and prior permission has been obtained in writing.

- The party in question has been authorized by the customer/customer's household members with intimation to Fusion to obtain their information.
- Customer's data shall be stored securely in Fusion's Management Information System (MIS).
- Fusion shall have rights enabled Management Information System (MIS) via a unique employee password which can be accessed by the authorised employee only.
- The privacy clause in the loan documents shall be in vernacular language and clearly mentioned.

E. GRIEVANCE REDRESSAL

- Fusion must have a board-approved customer Grievance Redressal Policy covering the process to register, resolve and escalate the complaints, internal and external escalation mechanism, complaint categories and TAT, review/audit of redressal system, and reporting to the board and top management.
- To provide a robust customer grievance redressal system to address complaints in an effective and timely manner. Fusion shall provide an easy access to redressal system to all its customers through a dedicated phone number or a staff-assisted procedure at the branch to register grievances.
- Clearly communicate the details of customer grievance redressal system in branches, loan documents, and other communication materials.
- Fusion shall have a mechanism as part of its grievance redressal framework for redressal of recovery-related grievances, the details of which must be provided to the customer at the time of loan disbursal.
- Record and analyse individual and aggregate level data for grievance redressal system capturing the nature of complaints, action taken and turn-around time. Report on grievances received, resolved, and pending along with the nature of complaints shall be shared with the board for review.
- Display toll-free number on loan card, on the website and at the branches as well.
- To provide customers with contact numbers of Relationship officers, Branch managers and Area managers in case they wish to reach out for any complaint.
- Display an easy-to-read grievance redressal flow charts in vernacular language at branches.
- To provide training to the relationship officers to educate and improve customer's awareness on Grievance redressal mechanism.
- Educate customers on different channels of grievance redressal system as well as escalation processes during Compulsory Group Training (CGT).
- To appoint 'Grievance Redressal Officer', a dedicated person in charge of managing calls received on the toll-free number and maintaining a grievance tracker with utmost clarity and complete information.
- The grievance redressal officer/grievance team shall respond to the grievances in a prompt, efficient and courteous manner.
- Fusion is having clearly defined turnaround time (TAT) and escalation matrix.

- Grievances grave in nature shall be escalated further. The head of concerned departments must be informed on this.
- The summary of grievances shall be presented to the board members at the quarterly 'Board Meeting'.
- Display contact number of RBI's NBFC Supervision at the branches.
- Display contact number and address of MFIN's nodal official and details of the grievance redressal system of MFIN and the RBI.

F. EMPLOYEE ENGAGEMENT

- Recruit a candidate from another microfinance based on a satisfactory reference check and shall not confirm the employee without a relieving letter from the previous employer.
- Fusion will participate in Employee Bureau to submit its employee's data and check candidate's employment records.
- Train the employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
- Fusion, while recruiting an employee, must honour the notice period as mutually agreed between prospective employee and his/her current employer. Fusion shall also honour 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's ethics, practice, and policy.
- Fusion shall respond to request from other microfinance provider for reference check within a reasonable time-period from the receipt of such communication.
- Fusion shall make it mandatory for the employees to furnish the original documents for verification.
- Fusion shall conduct a thorough reference check on the employees.
- Fusion shall not recruit an employee of another MFI without the relieving letter from the previous MFI employer, irrespective of the grade/level of the employee. However, an exception can be made in instances where the previous employer (MFI) fails to respond to the reference check request within 20 days.
- Fusion shall 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 company, except in proven cases of fraud or gross misconduct by the employee.

TRAINING:

- To provide comprehensive induction training to the employees on policies, processes, and regulations. Emphasis shall be on customer-interface aspects such as fair treatment, household and income assessment, the privacy of data, service quality, customer grievance redressal system, POSH, relationship management, dealing with customer facing difficulty in repayment, etc.
- Regularly assess employee's understanding of the above elements and conduct refresher training to address the gaps in understanding.
- To orient the employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.

- To engage new employees in the branch-level business operations only after completion of their induction training.
- To ensure that the well-being (For ex: adequate remuneration, working hours, working conditions etc) and security of their employees is given due importance.
- We consistently provide online training to our existing employees to disseminate pertinent information related to policies (New & Existing), products (New & Existing), service enhancements, compliance & regulatory updates and associated circulars.

G. OTHERS

- Fusion must have a board approved framework to deal with crises arising from natural disasters, mass defaults, negative media, local-level hostility, etc., which is reviewed periodically.
- Fusion shall ensure that the digital (i.e., paper-less) processes for sourcing (loan application), customer consent, due diligence, contracts, disclosures, payment receipts, grievance redressal, etc. are aligned with the applicable regulatory norms and customers are made fully aware, educated, and comfortable with digital modes of transaction.
- Any new initiatives encouraging digital transactions shall be introduced keeping in mind the customer's level of knowledge and comfort. During the initial adoption of digital methods, an enhanced focus on grievance redressal system and customer handholding shall be instituted.
- Prominently display information about the interest rates charged on microfinance loans in its offices, literature issued by it and its website.
- To share updated pricing information to the highest granularity possible with the SROs for publishing as required by the RBI.
- If withdrawing operations from an area, shall make alternate arrangements to service the existing loans of its customers. An arrangement with an existing microfinance provider, in such cases can be worked out to receive loan repayments from customers.