



CASPIAN IMPACT INVESTMENTS PVT LTD

Fair Practice Code

<i>Code:</i>	<i>Fair Practice Code Policy</i>
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<i>Policy Owner</i>	<i>Vishwanath M, Prema Jaiswal</i>
<i>Approved by:</i>	<i>Avishek Gupta</i>
<i>Confidentiality level:</i>	<i>Public (Level 1)</i>

Levels of Confidentiality: Public (Level 1), Confidential (Level 2), Restricted (Level 3)

Please refer to Annexure I for summary of previous version changes

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FAIR PRACTICE CODE

1. PREAMBLE

It is, and shall be, the policy of Caspian Impact Investments Private Limited (the “Company”) to treat all its clients consistently and fairly. The Company will offer assistance and service in a fair, equitable and consistent manner. It shall also communicate its Fair Practices Code (“FPC”) to its clients by uploading the FPC on its website. The Code shall apply to all products, existing or developed later, and provided by the Company to its customers.

The Company will ensure that the implementation of the FPC is the responsibility of the entire organization. The Company’s fair lending practices shall apply across all aspects of its operations including origination of the loan proposal, collection of information, appraisal and due diligence, approval, disbursement and collection.

The Company Board of Directors are responsible for implementing the fair practices hereinafter detailed, and also to ensure that its operations reflect to its various stakeholders, the Company’s strong commitment to offering various financial services in a fair and equitable manner.

The Reserve Bank of India (“RBI”) has issued guidelines on Fair Practices Code for Non-Banking Finance Companies (“NBFCs”) thereby setting standards for fair business and corporate practices by NBFCs while dealing with their customers. The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed.

In understanding how a set of fair practices supports fair lending in a wholesale model, the distinction between Corporate Wholesale Lending, Retail MSME (lending through Digital Lending Partners (DLP) and Business Correspondents (BC) together referred as “**Partners**”) and Retail consumer credit (direct to customer) lending models is important. The application and evaluation process for retail consumer credit tends to be more standardized. In contrast, wholesale lenders’ application/sourcing, evaluation, approval and transaction structuring process is specifically tailored to each prospective Portfolio Company’s business model, sector, requirements and stage. The Company evaluates prospective Portfolio Companies in relation to the investment restrictions as evolved and adopted by the Board and implemented by the Credit Committee, which is the body that makes credit decisions. The management team works with the prospective Portfolio Companies to evaluate their specific financial needs and to provide them with a product designed to meet their goals and objectives. In Retail MSME lending a product is first designed keeping the **Partner’s** capabilities, financial needs of this market segment and Company’s mission. To access this the Company needs to very closely work with the partner and outlines the final product contours, roles and responsibilities of each partner and the most importantly the processes including but not limited to sourcing, onboarding, sanctioning, monitoring and collections.

Products offered by Company include, inter alia:

a.) Loans:

- Term Loans/Working Capital Demand Loans/Bridge Loans
- Secured/Unsecured

- Senior/Subordinated
 - Short term (up to 1 year) /Long term (1-5 years)
 - Plain vanilla/With options or warrants or performance-based returns
- b.) Investments in Debt securities

This Fair Practices Code applies to the full range of financial products and services offered by the Company.

The Company looks for the following key attributes in potential Portfolio Companies for wholesale corporate loans:

- 3 years of track record
- Experienced Promoter, qualified and professional management team, good governance practices
- Ethical and transparent operations
- Well-capitalized, good asset quality

For Lending through **Partners**, the Company looks for partners with.

- 3 years of execution capabilities in similar business
- Experienced promoter/s with qualified implementation team
- Established processes
- Adequate usage of technology

2. KEY COMMITMENTS

The Company commits to the following, in its dealings with Portfolio Companies and **Partners**

a) To act fairly and reasonably by ensuring that:

- Its products, services, procedures and practices will meet the commitments and standards in this FPC;
- Its products and services comply with all relevant laws and regulations as applicable; and
- Interactions with Portfolio Companies and Partners shall be conducted on the ethical principles of honesty, integrity and transparency.

The Company will allocate an Investment/Relationship Manager to each Portfolio Company and each Partner, thus allowing them a direct point of contact within the Company. The Investment Manager shall actively engage with them both prior to and following the approval and disbursement of the loans. Being a financial lender, the Company attempts to build a relationship with each of the borrowers it engages with.

- b) The Company will make every attempt to ensure that its borrowers have a trouble-free experience in dealing with the Company; in the event of errors (of commission or omission), the Company will deal with the same quickly and sympathetically. Mistakes will be corrected and complaints and grievances are handled quickly and efficiently.
- c) If requested by the borrowers, the Company will provide all communications in the vernacular language or a language as understood by the concerned Borrower. It should be noted in this context, in relation to institutional clients the business is generally conducted in the English language.

While the Company commits to the above principles in its dealings with Portfolio Companies and Partners, it is equally important to the Company that they too have satisfactory policies and systems in place to ensure that they follow the same principles of ethics, transparency and fairness in their dealing with their underlying clients.

The Company has committed that it shall:

- a) Invest only in companies that engage in and promote transparent and ethical business practices appropriate to their specific sector.
- b) Give preference to investing in companies that have a stated or demonstrated focus on serving under-served or excluded customers and/or communities.
- c) Not invest in any company whose business is dependent on activities set out in the Exclusion List, which is available on the Company's website.

The Company's evaluation of a prospective Portfolio Company will thus take in to account the above.

3. WHOLESALE LENDING:

- **ORIGINATION OF LOANS AND APPRAISAL**

- a) The Company identifies a potential investment through the Investment Managers who use their extensive knowledge, research, experience and relationships to identify investment opportunities in accordance with the stated strategy.
- b) Interested potential clients may also reach out to the Company via the website or other online avenues.
- c) Upon such contact having been made, and prior to a relationship being established, the Company:
 - Provide information to the prospective Portfolio Company explaining the objectives and strategy of the Company and the investment criteria based on which the Company shall make debt investments;
 - Provide information on the range of financial services offered by the Company that may suit the institution's requirements;
 - Clearly state the information that the Company is required to collect from the prospective Portfolio Company in order for the proposal to be placed before and reviewed by the Credit Committee and also to comply with legal and regulatory requirements in force from time to time;
 - Request additional information about the prospective Portfolio Company based on a preliminary assessment of its past performance, mission and strategy;
 - Communicate to prospective clients that data shared by them will be utilized and/or shared internally by its Investment Managers, credit underwriters and/or with any other advisors/consultants as may be appointed by the Company.
- d) The Company shall ensure that its mission, objectives, strategy and key investment criteria are made available to potential Portfolio Companies, whether through the Company's website or in the form of brochures or other material. The prospective Portfolio Company will also be provided with additional information upon request, if the information requested is of the nature that can be publicly shared by the Company.
- e) In order to make a preliminary assessment, the Company shall require certain information to be provided by the prospective Portfolio Company including information on the promoters and standard information on its operations. A review shall also be conducted, by the Investment Manager, of past financial performance, through telephonic and/or in person discussions with the promoter/management.

- f) A detailed due diligence is conducted by Investment Manager which shall include a field visit that covers various aspects of the prospective Portfolio Company's operations and discussions with the management and staff. The due diligence for a new client is always executed by at least two representatives of the Company. Following the due diligence, a decision is made on whether or not the proposal can be placed before the Credit Committee for approval.

- **APPROVAL PROCESS AND BORROWER ACCOUNT MANAGEMENT**

- a) Since the Company lends to institutional clients, , the terms of the proposed loan are discussed with the principal officers of the client on the basis of which a non-binding term sheet/sanction letter is issued by the Company. Further, the Company shall indicate to the prospective Portfolio Company, the timeframe within which the loan request may be disposed of.
- b) Should the Company decide to proceed with the investment proposal, it shall disclose and explain the rate of interest to be charged on the loan to the prospective Portfolio Company. The Company may lay out internal principles and procedures in determining interest rates and processing and other charges. For further details on interest rates, please refer to the **interest rate policy** available on the Company's website.
- c) Upon reaching an agreement on the proposed interest rate and other key terms and conditions of the proposed loan, a draft term sheet shall be issued by the Company to the prospective Portfolio Company.
- d) This term sheet shall summarize the principal terms with respect to the loan facility being discussed with the Portfolio Company. The term sheet shall inform the Portfolio Company of key terms and conditions including amount of the facility, purpose, tenor, interest rate, fee payable if any, creation of security, key conditions precedent to disbursement, repayment, monitoring and reporting obligations, liability for expenses and taxes, principal documentation to be executed and confidentiality obligations of the parties.
- e) The term sheet is intended solely as a basis for further discussion and is not intended to be and does not constitute a legally binding obligation except for the provision of "Confidentiality". The term sheet will however include all of the necessary information likely to affect the interest of the prospective Portfolio Company, so that a meaningful comparison with the terms and conditions offered by other lenders can be made and an informed decision taken.
- f) An indicative time frame within which the proposal may be disposed of shall be communicated to the prospective Portfolio Company.
- g) The decision on whether to extend financial assistance to a prospective Portfolio Company shall be made solely by the Credit Committee. The Credit Committee shall arrive at the decision following a detailed discussion and deliberation on the investment proposal as submitted by the investment management team.
- h) The Company shall convey in writing to the prospective Portfolio Company the decision of the Credit Committee on the loan proposal by means of an approval letter or otherwise. Should there be any changes in the key terms and conditions of the proposal suggested by the Credit Committee, the same shall be incorporated in a revised term sheet, which shall be provided to the Portfolio Company at the earliest. The final acceptance of the terms and conditions thus communicated by the Portfolio Company shall be preserved by the Company in its records.

- i) A draft of the credit facility agreement and any other documentation that may be required for the transaction shall be shared with the Portfolio Company and the latter shall be given the opportunity to seek clarifications on any aspect of the documentation.
- j) Penal charges to be levied for late repayment shall be highlighted in bold in the loan agreement
- k) Copies of the executed transaction documents including the loan agreement along with all enclosures referenced in the loan agreement shall be provided to the Portfolio Company no later than 15 days from the date of disbursement of the loan.
- l) The Company shall provide adequate notice to the Portfolio Company of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges shall be effective only prospectively and this shall be specified in the loan agreement.
- m) The decision of the Company to recall / accelerate payment shall be in accordance with the terms of the loan agreement and in response to an uncured event of default.
- n) In the event the loan is secured, the Company shall take appropriate steps to release all securities upon full and final repayment of all dues subject to any legitimate right or lien for any other claim it may have against the Portfolio Company. The Portfolio Company shall be given due notice with full particulars about the outstanding claims in case such right of set off is to be exercised.
- o) The Company shall refrain from interfering in the affairs of the Portfolio Company except for the purposes as provided in the terms and conditions of the loan agreement.
- p) In the matter of recovery of dues, the Company shall resort only to remedies that are legally and legitimately available to it under the provisions of the loan agreement. No employee of the Company shall, under any circumstances, resort to undue harassment of the portfolio company.
- q) In case of receipt of written request from the borrower for transfer of borrowal account, the Company shall provide its consent or objection, if any, within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

4. RETAIL MSME LENDING

Loans Sourced and or managed through Digital Lending Partners (DLP) or Business Correspondents (BC) also referred as Lending Service Providers:

Where the Company sources or originates loans through DLP or BC then the following additional steps shall be taken by the Company:

- Details of each engaged partner must be disclosed on the Company's website along with the product offering details.
- DLP / BC must inform the customer about the lender/s. They must also detail the product structure, rates and charges to the end borrower.
- All legal inventory like sanction letter, facility agreement etc must adequately display the name of the Company along with other lenders if applicable. A copy of the legal documents must be made available to the customer.
- Company must ensure that the roles and responsibility of the DLP/ BC is adequately captured in the agreement executed with the customer.
- Adequate monitoring shall be ensured by the DLP / BC and ethical collection processes must be adhered to in case these falls within the responsibilities of the partner.
- Company's grievance redressal mechanism and details of the grievance redressal must be shared with each customer.
- Company would ensure that the products and process are aligned as per the directive of the regulator and modify them as need arises.

5. INTEREST RATE POLICY

The Board of the Company has adopted an interest rate policy taking into account relevant factors including the Company's cost of funds, margin and risk premium, etc. to determine the rate of interest to be charged for loans. The rate of interest charged by the Company shall be on an annualized basis. The rate of interest and the rationale shall be disclosed to the Portfolio Company and communicated explicitly in the term sheet/sanction letter. For further details please refer to the interest rate policy. The interest rate policy shall be available on the website of the Company along with this Fair Practice Code and shall be updated whenever there is a change in the rates and/or the general policy.

6. MARKETING

The Company shall ensure that general information with respect to its products and services shall be clearly provided on the Company's website and shall not be misleading. Please note that Partner level product contours are shared on the website along with those of wholesale lending products specifically keeping the needs of each Portfolio Company. The information on these products and services can only serve as a general description as opposed to standardized products with pre-defined terms and conditions.

7. CONFIDENTIALITY

The Company shall not reveal the details of any transaction to a third party other than in the following exceptional cases:

- a) If the Company and the Portfolio Company agree to make this information public through the issue of a press release or through information provided on the website of either the Company or the Portfolio Company.
- b) If the information is being shared with the Company's accountants, auditors and other advisors provided they assume confidentiality obligations with respect to any such information
- c) If the Company is required to provide the information by statutory or regulatory laws
- d) If there is a duty on the part of the Company to the public to reveal this information

- e) If the Company has taken the Portfolio Company's permission or has been specifically authorized by it to share such information

8. GRIEVANCE REDRESSAL MECHANISM

- a) All the business is conducted at its head office. The Company has two branches for lead generation and risk monitoring purposes. The Grievance Redressal Officer of the Company is Mr. Vishwanath M. He may be contacted at grc@caspian.in, or alternatively at +91 40 6629 7100.
- b) If any complaint is not redressed within a period of 15 days, the complainant may contact the Chair of the Audit Committee of the Company at audit.chair@caspian.in who shall attend to the complaint promptly.
- c) If any complaint / dispute is not redressed within a period of one month, the Portfolio Company may appeal to the Officer-in-Charge of the Regional Office of the Department of Supervision (DOS), RBI, Hyderabad, under whose jurisdiction the registered office of the Company falls in. The complete contact details, which may also be found on the RBI website, are as follows:

General Manager

Department of Supervision (DOS), Reserve Bank of India – Regional Office Hyderabad, 6-1-56,
Secretariat Road, Saifabad, Hyderabad - 500004, Telangana, India

Tel: 040-23241270

Fax: 040-2323 2468

E-Mail:

9. REVIEW

The Board shall conduct a periodical review of the compliance of the Fair Practices Code including the functioning of the grievances redressal mechanism at various levels of the management. A consolidated report of such reviews shall also be submitted to the Board.

Annexure – I: Version Control Table

Version No.	Version Approval Date	Version Effective Date	Version Change Details	Version Owner	Version Approved By
1.0			First version		
2.0		01-Apr-2015	<ul style="list-style-type: none"> Stated that Mr. Viswanatha Prasad is the Grievance Redressal Officer and shared his contact details. Stated that companies may approach Audit Chair if the complaint is not redressed in 15 days, and shared the email ID. Shared the contact details of the Officer-in-Charge of the Regional Office of the DNBS. 		
3.0	30-May-2018	30-May-2018	<ul style="list-style-type: none"> Removed mention of target sectors, target/eligible institutions and target population. Added that the application and evaluation process for retail customers tends to be more standardized. In contrast, wholesale lenders' application/sourcing, evaluation, approval and transaction structuring process is specifically tailored to each prospective Portfolio Company's business model, sector, requirements and stage. Brought product offerings and key preferred attributes in clients, in line with the Investment Policy The Company will give preference to investing in clients with a stated or demonstrated focus on serving under-served or excluded customers and/or communities. Added that the Company will not invest in any company whose business is dependent on activities 	Vandana Bhatia, Company Secretary	Viswanatha Prasad, Managing Director

			<p>set out in the Exclusion List, which is available on the Company's website.</p> <ul style="list-style-type: none"> • Added that due diligence is always executed by at least two representatives of the Company. • Removed the line stating that there is no loan application that the Company uses. • Removed "The Portfolio Companies shall not be allowed to make applications for transfer of their borrowal account or engage themselves in takeover financing." • Ms. Vandana Bhatia replaced Mr. Viswanatha Prasad as Grievance Redressal Officer, and her contact details were updated. • Updated contact details of the <u>Officer-in-Charge of the Regional Office of the DNBS.</u> • Updated Audit Chair email ID. 		
4.0	18-Feb-2019	18-Feb-2019	<ul style="list-style-type: none"> • Inserted the clauses which state that the prospective client/borrower should be aware of management of the Company by its Investment Advisor, and the data shared with the Company will be utilized/shared internally by its Investment Advisor any other advisors/consultants appointed by the Company. • Added that in case of receipt of written request from the borrower for transfer of borrowal account, the Company shall provide its consent or objection, if any, within 21 days from the date of receipt of request. • Deleted "underwriting guidelines" and added "investment restrictions" • Added that interested potential clients may also reach out to the Company via the website. 	Vandana Bhatia, Company Secretary	Viswanatha Prasad, Managing Director

5.0	11- Feb-22	09-Dec-21	<ul style="list-style-type: none"> Updated the Grievance Redressal Officer 	Prema Jaiswal and Vishwanath M	Avishek Gupta, Managing Director
6.0	26-Feb-24	26-Feb-24	<ul style="list-style-type: none"> Adequate changes made across the policy w.r.t. Lending for Retail MSME through DLP and BC 	Prema Jaiswal and Vishwanath M	Avishek Gupta, Managing Director