

SPANDANA SPHOORTY FINANCIAL LIMITED

POLICY ON FAIR PRACTICES CODE (“FPC”)

Date of Modification: January 31, 2023

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1. Introduction

Spandana Sphoorty Financial Limited (“**Spandana**” or “**the Company**”) is a public limited company registered with Reserve Bank of India (RBI) as an NBFC and has been reclassified as NBFC-MFI effective April 13, 2015. It is also classified as systemically important non-deposit taking non-banking finance company.

Spandana provides microfinance services to the low-income households and individuals to improve their quality of life. Spandana constantly endeavors to deliver quality services to its Borrowers by maintaining highest levels of transparency and integrity.

Spandana ensures that the principles of responsible lending, transparency and core values are followed in letter and spirit. Spandana follows various guidelines issued by Reserve Bank of India (“**RBI**”) on Fair Practices Code for NBFC-MFIs, Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 and has also adopted the unified Industry Code of conduct developed by the Self-Regulatory Organizations Microfinance Institutions Network (**MFIN**) and Sa-Dhan (The Association of Community Development Finance Institutions).

Spandana is present across 18 States in India and has plans to expand its operations to more number of States & regions across India. Accordingly, the number of staff has been increasing proportionately and it is considered appropriate to enhance the scope of existing Board approved policy for better understanding of the Fair Practices Code and effective implementation of the policy guidelines.

2. Objectives of the Fair Practices Code:

- To formulate Fair Practices Code (FPC) and lay down the process and guidelines for effective implementation of FPC which is in compliance with the guidelines prescribed by the regulator and Self-Regulatory Organizations (SROs) and enhancing the scope of FPC by drawing from the experiences gained by Spandana.
- To protect Borrowers from fraud, misrepresentation, deception and unethical practices.
- To ensure that all practices related to lending and recovery of loans are fair and maintain respect for Borrower’s dignity.
- To train all the employees and borrowers on the FPC in an effective manner and to ensure that they follow the FPC at all times.
- To monitor the effective implementation of the FPC and maintain zero tolerance to deviations.
- To constantly review and revise the FPC based on the RBI and SRO guidelines in addition to the experiences gained by Spandana and also

3. Core Values

- **Transparency** – The Borrowers of Spandana are low-income households and have low literacy levels or illiterates. Therefore, it is very important to keep all the communication with the Borrowers in a simple and clear manner. We endeavor to maintain simplicity and clarity in all activities and operations, so that high standards of fairness can be established in all the dealings.

- **Responsiveness** – Spandana endeavors to be a responsive organization to its Borrowers’ needs and requirement. We constantly strive to understand the changing needs of Borrowers and developing suitable products and services to address their requirements.
- **Integrity** – Spandana endeavors to maintain highest levels of fairness and integrity in all its dealings with its Borrowers and keep up the commitments made.
- **Commitment** - Performing all activities and tasks with professionalism and enthusiasm in order to give the highest level of Borrower satisfaction and optimal efficiency.
- **Team Spirit**- Working together as to create synergy that results in exponential growth.
- The Company endeavors that the Borrowers are not discriminated on the grounds such as religion, caste, gender, marital status, sexual orientation etc.

4. Guidelines on Fair Practices Code

4.1. Loan Application:

- a. All communication to the borrower should be in the vernacular language or the language understood by the borrower.
- b. Loan application shall be in the vernacular language, or a language as understood by the borrower.
- c. Borrower shall be provided with acknowledgement for receipt of loan application. The acknowledgement shall be in vernacular language clearly communicating the timeframe within which loan application will be disposed of.
- d. Loan application shall contain the effective interest rate, processing fee and insurance premium and the borrower shall be informed of the same while taking the loan application so that a meaningful comparison with the terms and conditions offered by other lenders can be made and informed decision can be taken by the borrower.
- e. The loan application form should indicate the documents required to be submitted with the application form.

4.2 Loan Appraisal:

- a. Every loan has to be appraised to understand the Borrower’s business, household income, her current indebtedness and thereby assess her loan requirement and repayment capacity.
- b. Loan appraisal has to be done mandatorily by the Branch Manager and the appraisal should be filled.

4.3 Loan Terms and Conditions:

- a. Borrowers are given training for 2 days to explain them the terms and conditions of the loan.
- b. The training also emphasizes on the proper utilization of the loan amount, the perils of over borrowing, misuse of loan amount etc.
- c. The training also covers the product features including the effective interest rate (minimum, maximum and average interest rates, if applicable) charged on microfinance loans, loan processing fee, insurance premium, loan tenor and repayment frequency. Borrowers are clearly communicated in this training that Spandana does not charge pre-payment or foreclosure charges.
- d. Borrowers are also told that in case of delayed payment, no penal interest or penal charges are charged.
- e. Borrowers are also told that they need not pay anything other than the principal, interest, processing fee and insurance premium.

4.4 Loan Sanction and Disbursement:

- a. Spandana shall issue sanction letter in vernacular language for every loan sanctioned.
- b. The sanction letter contains the amount of loan sanctioned, rate of interest, processing fee, insurance premium, loan tenor and repayment frequency along with the documents required to be executed.
- c. Spandana shall mandatorily take the signature/thumb impression of the borrower accepting the loan sanction.
- d. Loan shall be disbursed only in the Branch. Loan shall be disbursed by the concerned Loan Officer and the Branch Manager in the presence of the Borrowers and her group members. As a policy, Borrower's spouses should also be present at the time of loan disbursement. There shall be a close supervision of the disbursement function.
- e. Borrower shall be provided loan repayment schedule/fact sheet in vernacular language. The loan repayment schedule/fact sheet contains all the important terms and conditions of the loan including the annual effective rate of interest, processing fee, insurance premium and other terms and conditions.
- f. Borrower shall also be provided a copy of loan agreement/document in vernacular language along with a copy of each of all enclosures quoted in the loan agreement/document.
- g. Spandana shall give notice to the borrower in the vernacular language in case of any change in the terms and conditions including disbursement schedule, interest rates, etc.
- h. Any change in interest rates and charges are effected only prospectively. The loan agreement shall contain a suitable condition on this.
- i. The decision to recall / accelerate payment or performance under the agreement/document shall be in consonance with the loan agreement/document.
- j. Spandana shall not charge foreclosure charges / pre-payment penalty on all floating rate term loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
- k. Spandana shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which Spandana is entitled to retain the securities till the relevant claim is settled / paid.

4.5 Disbursement of Loans including Changes in Terms and Conditions:

- a. The procedure for loan application shall be simple and loan shall be disbursed as per pre-determined time.
- b. The effective rate of interest (the minimum, maximum and average interest rates, if applicable) charged on microfinance loans on each loan product, processing fees and insurance premium shall be prominently displayed in all branches & head office, in the literature issued (in vernacular language) and on the website of the company.
- c. A statement shall be made in vernacular language and displayed in Branches, HO and in loan cards articulating our commitment to transparency and fair lending practices.

4.6. Disclosures in Loan Agreement / Document / Loan Card / Fact Sheet:

- a. all the terms and conditions of the loan be in a language understood by the borrower,

- b. the annual effective rate of interest charged on declining balance,
- c. the pricing of the loan involves various components viz; the interest rate model (comprising of cost of funds, risk premium and margin) and quantum of each component, the range of spread of each component for given objective parameters and category of the borrowers. The model indicates the ceiling on the interest rate and charges applicable to microfinance loans.,
- d. there will be no penalty charged on delayed payment,
- e. no Security Deposit / Margin is being collected from the borrower,
- f. the moratorium between the grant of the loan and the due date of the repayment of the first installment is equal or more than the frequency of repayment,
- g. an assurance that the privacy of borrower data will be respected,
- h. information which adequately identifies the borrower,
- i. simplified fact sheet on pricing,
- j. acknowledgements by the field staff of all repayments including installments received and the final discharge,
- k. the grievance redressal system and the toll-free customer care helpline number printed on the loan card and displayed at branches, and
- l. non-credit products issued, if any, shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.

Note: Spandana has standard form of loan agreement/document and the same is given to Borrowers in vernacular language.

5. Fair Practices and Ethical Behavior

- a. All dealings of the Company with Borrower shall be open, fair and ethical.
- b. All Employees of the Company shall treat Borrowers with respect and dignity.
- c. The Company provides micro finance services to all eligible Borrowers as per the extent RBI guidelines.
- d. The Company's rate of interest and charges are in accordance with the extent RBI guidelines and the Board approved policies.
- e. The rates of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower in the application form and communicated explicitly in the loan agreement/document.
- f. The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company. The information published in the website shall be updated whenever there is a change in the rates of interest.
- g. The Company will not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement/document (unless new information, not earlier disclosed by the Borrower, has come to notice of the Company).
- h. The Company will obtain copies of relevant documents from Borrowers, as per standard KYC norms. Additional documents sought must be reasonable and necessary for completing the transaction.

- i. In case of receipt of any request from the Borrowers for transfer of borrowal account, the consent or otherwise i.e. objection of the Company, if any, should be conveyed within 21 days from the date of receipt of such request. Such transfer shall be as per transparent contractual terms in consonance with the applicable law.
- j. The Company will not bundle products. Only exception to bundling may be made with respect to credit life insurance products (if applicable), which are typically offered bundled with loans. The terms of insurance shall be transparently conveyed to the Borrowers and must comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms. Consent of the Borrower should be taken in all cases. Any insurance is not mandatory, and Borrowers can choose to opt out of insurance if they wish.
- k. Training offered to the Borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the Borrowers fully aware of the procedure and systems related to loan / any other products.

6. Avoiding Over-Indebtedness

- a. Branch Managers shall make proper enquiries with regard to current indebtedness of the Borrowers before sanctioning of the loan.
- b. The Company will ensure that the loan is provided basis on the assessment of annual household income of the Borrower considering the broad parameters viz., Household profile, Household income and Household expenses.
- c. The Company provide accurate data to credit information companies (CIC's) on level of indebtedness and ascertain by way of obtaining declaration from the Borrowers, verification of bank account statements wherever available and local enquiries, Credit Bureau checks, etc.
- d. The Company assess the repayment of monthly obligations of household with monthly household income to ascertain the outflow.
- e. The Company shall not exceed the indebtedness cap as decided by the Industry Associations and the overall prescribed limit set by RBI.
- f. The Company shall educate Borrowers on ill effects of over-borrowing.

7. Policy on Recovery / Collection Practices

- a. The Company will train all employees (field level) on the collection policy and to deal with Borrowers in an appropriate manner.
- b. The Company will ensure that the employees use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with Borrowers.
- c. In the matter of recovery of loans, The Company will instruct the employees not to follow coercive collection practices such as collecting at odd/late hours or during bereavement / sickness of Borrowers, behaving rudely / aggressively, or use of muscle power during collection etc.
- d. The Company will ensure that the employees shall not adopt any harsh practices viz., use of threatening or abusive language, persistently calling the Borrower and/or calling the Borrower before 9:00 AM and after 6:00 PM, harassing relatives, friends, co-workers of the Borrower, publishing the name of the Borrowers, use or threat of use of violence or other similar means to harm the Borrower or Borrower's family/assets/reputation, misleading the Borrower about the extent of the debt or the consequences of non-repayment.

- e. The Company shall ensure that recovery will be made at a designated/ central designated place (Center Meeting) decided mutually by the Borrower and the employees. However, field staff is entitled to make recovery at the place of residence or work of the Borrower if the Borrower fails to appear at the designated/ central designated place (Center Meeting) on two or more successive occasions.
- f. The Company is responsible/ accountable for any inappropriate behavior of the employees towards the Borrowers.
- g. The Company will have strict vigilance to ensure that staff do not misbehave, disrespect the Borrowers.
- h. Disciplinary action shall be taken against the employees for any misbehavior or deviation against FPC.
- i. The Company will display FPC in all the branch premises, Head Office/ Registered Office and upload on our website.
- j. The Company has put in place grievance redressal mechanism for recovery related grievances. The details of this mechanism shall be provided to the Borrower in the loan card / fact sheet.

8. Privacy of Borrower Information

- a. The Company shall respect Borrowers' privacy and shall treat Borrower information as private and confidential.
- b. The Company shall incorporate an adequate disclosure in the loan agreement/document on sharing Borrower data with credit bureaus, statutory organizations, group companies and third parties and the acceptance of the Borrower shall be obtained for internal records.
- c. The Company will train employees on fidelity and secrecy of Borrower data.

9. Policy on Customer Grievance Redressal Mechanism (GRM)

Spandana endeavours to be a Borrower centric organization keeping Borrowers at the center of its policy making and all the policies and procedures are designed to provide efficient and faster services to Borrowers. While Spandana has taken all the steps to ensure that Borrower service is given utmost importance, in case there is any '**Grievance**' which includes queries, complaints & feedbacks. This grievance redressal mechanism provides for timely redressal of the grievances/hearing of the feedback. Besides, all the grievances and feedback received are reviewed at the highest level of the organization and policies are reviewed and decisions taken to strengthen the delivery mechanism and provide better services.

The Company has put in place Grievance Redressal Mechanism given below, which provides guidelines for receiving, handling and disposal of Borrower grievances, documentation, turn-around-time and escalation matrix for unresolved complaints and periodical review mechanism.

The Company has dedicated Customer Support Service Department (CSS) at Head Office for receiving, handling and disposal of Borrower grievances, documentation and reporting under this policy.

9.1 Objectives:

The objective of this policy is immediately addressing the Borrower grievances by providing efficient services in a fair and transparent manner and to ensure prompt redressal of Borrower grievances and provide a mechanism for review of the implementation of the grievance redressal mechanism at the highest level.

- To provide Borrowers formal and informal channels for feedback and suggestions
- To provide a formal grievance redressal mechanism for Borrowers
- To educate customers on grievance redressal mechanism
- To ensure that Borrowers are protected against fraud, deception or unethical practices
- To handle/resolve complaints speedily and efficiently
- To consistently assess the impact of services in order to provide better services to the Borrowers in timely and efficient manner.

Spandana follows multi-tier Customer Grievance Redressal Mechanism and the following are the key elements of the Grievance Redressal Mechanism:

Scope	Purpose
Channels to Register Grievance	<ul style="list-style-type: none"> • Walk-ins in Branch Office Recorded in Complaints/Feedback Register • Toll Free Number: 18001205519 • Call, letter or email to the Principal Nodal Officer • MFIN/Sa-Dhan toll-free number • RBI's ombudsman
Display	<ul style="list-style-type: none"> • All office premises • Website • Loan card / fact sheet
Informing Borrowers about their rights	<ul style="list-style-type: none"> • Compulsory Group Training (CGT) and Group Recognition Test (GRT) • Loan card / fact sheet • Periodic, reminder by staff in Center Meetings
Resolution in Timely Manner	<ul style="list-style-type: none"> • Escalation Matrix • Categorizing the complaints based on severity and criticality and defining TAT
Reporting and Review Mechanism	<ul style="list-style-type: none"> • Data Analysis: (Trend, Comparison and Key metrics)
Staff Roles and Training	<ul style="list-style-type: none"> • Mandatory Training for Complaints handling and Monitoring
Monitoring Borrowers Grievance Redressal	<ul style="list-style-type: none"> • Proper record maintained and a monthly report shared with CSS • Internal Audit Check: Client Verification to measure client satisfaction. • Regulatory Compliance

9.2 Centralised mechanism for Grievance Redressal:

The Company has a centralized mechanism of grievance redressal which allows the Company to follow-up and process Borrower's grievances. Irrespective of where the complaint has been received, it will be tracked by the Grievance Redressal team at Head Office.

9.3 Registration of Grievance:

Each Branch has Complaints (Grievance) Register. Borrowers are free to walk into the Branch and register a compliant / query / feedback in the register. Cluster Manager / Area Business Head should

check the Complaints register on every visit to the Branch and sign on the complaints register with a date. If any queries or complaints of the Borrowers, which are recorded / registered in the complaints register, unresolved for more than 5 working days by the Branch Manager, Cluster Manger (CM) / Area Business Head (ABH) should report it to CSS at Head Office.

If the Borrower is not satisfied with the response received from the Branch Manager or if the issue is not resolved within 5 working days, the Borrower can reach to CSS dedicated toll free number: '18001205519' or through CSS email ID: 'css@spandanasphoorty.com'.

Cluster Mangers are responsible to share details grievance registered in the Branches on a monthly basis to CSS within 10 days from the end of each month.

Borrowers can register their grievances by making telephone calls to a dedicated toll-free number. The phone calls will be received in the Head Office. Recognizing that Borrowers speak various languages, the Company has ensured that the team receiving calls can handle calls in multiple languages.

All calls received by CSS are recorded in a software/spreadsheet for effective tracking. The employee receiving the grievance in CSS shall classify in one of the following categories.

Grievance Categorization:

Level 1:

- Bribe /Agent involvement
- Behaviour
- Collection Troubles
- NEFT Issues

Level 2:

- Concession Request
- Staff negligence
- Advance Collection
- Client Dropouts
- Loan Claim and Settlement

Level 3

- General Queries
- Staff Contact Details
- New/ Next Cycle Loan
- Product and Process related information
- Insurance Related issues

Under no circumstances grievance registration should be refused on the grounds that the Borrower is not able to provide certain details. A grievance / complaint number should be generated for each grievance.

The employee registering the grievance should note the grievance in detail. He or she should also provide the complainant a tentative timeframe in which the complaint is likely to be resolved.

In case a call is in the nature of a general query, the employee attending the call should try to answer it during the call itself. In case the employee attending the call is not able to answer the query, he or she should refer such query to the concerned persons in business team.

9.4 Processing of Grievance:

The employee registering the grievance should forward the grievance to the concerned ABH. The ABH should then ensure that the complaint is resolved by following up with concerned official. Within 5 days of receipt of complaint, ABH should submit a follow-up report to CSS. ABH can contact the complainant, if required. CSS, on the basis of the report, will decide whether any further action is required on such grievance.

CSS will update the complainant within 7 working days of receipt of grievance about its status.

9.5 Closure of Grievance:

CSS should close the complaint on the basis of follow-up discussion with the complainant.

9.6 Escalation of Serious Grievance:

All grievances which are concerned to financial irregularity (bribery, frauds etc.,) should be escalated to the Risk Team and Chief Business Officer by CSS.

9.7 Communication of the Grievance Redressal System:

Effectiveness of the Grievance redressal system requires its communication to the Borrowers. Following should be ensured for the effective communication:

1. Details of the Grievance Redressal Mechanism, particularly the toll-free number should be displayed prominently in the Branch Offices.
2. This should be explained to the Borrowers during CGT, GRT and during loan disbursement.
3. Supervisors should inform the Borrowers about the Grievance Redressal Mechanism every time they visit Borrowers during their monitoring visits.
4. Details of grievance redressal system should also be printed on loan card / fact sheet provided to the Borrowers.
5. Field Staff should be trained to ensure that all Borrowers are aware of the Grievance Redressal Mechanism.

9.8 Appointment of Grievance Redressal Officer / Principal Nodal Officer:

The Company has appointed a Grievance Redressal Officer / Principal Nodal Officer who supervises overall process of grievance redressal. He / She will be the senior most appellate authority for grievances in the Company. He / She will also be responsible for reporting to the senior management and ensuring that all grievances received are properly addressed.

The name and contact details of Grievance Redressal Officer / Principal Nodal Officer is displayed in the Company website and all the branches for easy access to Borrower in case of any grievance.

9.9 Escalation Matrix for Borrower Grievances:

Level 1: Branch Office	Borrowers can approach the Branch Manager and report their complaint / grievance by filling the Complaints Register.					
Level 2: CSS	If the Borrower is not satisfied with the response received from the Branch Manager or if the issue is not resolved within five (5) working days, Borrowers can escalate the complaint / grievance to CSS: Toll Free No. 1800-120-5519 <i>(9.30 a.m. to 5.30 p.m. on working days (Monday to Saturday)</i> <i>(except 3rd and 4th Saturday)</i>					
Level 3: Grievance Redressal Officer (GRO) / Principal Nodal Officer (PNO)	If the issue is not resolved within fifteen (15) days, Borrowers can escalate the complaint / grievance to GRO / PNO: Mr. P Rahul Reddy Contact: 93929 14441 E-mail: rahulreddy.p@spandanaspooorty.com <i>(9.30 a.m. to 5.30 p.m. on working days (Monday to Saturday)</i> <i>(Except 3rd and 4th Saturday)</i>					
Level 4: Self-Regulatory Organization (SRO)	If the issue is not resolved within seven (7) working days of call to Principal Nodal Officer, can escalate the complaint / grievance to SROs: <table border="1" data-bbox="459 1357 1394 1798" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="459 1357 1072 1442" style="width: 60%;">Microfinance Institution Network (MFIN)</th> <th data-bbox="1072 1357 1394 1442">Sa-Dhan</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1442 1072 1798"> Grievance Redressal Officer 403–404, 4th floor, Emaar Palms Spring Plaza, Golf Course Road, Sector-54 Gurgaon-122003. Toll Free No. 1800-102-1080 customercomplaint@mfinindia.org </td> <td data-bbox="1072 1442 1394 1798"> Grievance Redressal Officer A-1 248, 3rd Floor, Safdarjung Enclave, New Delhi-110029, Delhi Contact No. 011 4717 4418 nandi@sa-dhan.org </td> </tr> </tbody> </table>		Microfinance Institution Network (MFIN)	Sa-Dhan	Grievance Redressal Officer 403–404, 4th floor, Emaar Palms Spring Plaza, Golf Course Road, Sector-54 Gurgaon-122003. Toll Free No. 1800-102-1080 customercomplaint@mfinindia.org	Grievance Redressal Officer A-1 248, 3rd Floor, Safdarjung Enclave, New Delhi-110029, Delhi Contact No. 011 4717 4418 nandi@sa-dhan.org
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Level 5: RBI	<p>If the issue is not resolved, Borrower can complain to RBI online on https://cms.rbi.org.in.</p> <p>Or</p> <p>Complaints can also be filed through the dedicated e-mail: crpc@rbi.org.in</p> <p>Or</p> <p>Sent physical complain to the ‘Centralised Receipt and Processing Centre’ set up at Reserve Bank of India, 4th Floor, Sector 17, Chandigarh - 160017 in the format provided at</p> <p>https://rbidocs.rbi.org.in/rdocs/content/pdfs/RBIOS2021_121121_A.pdf.</p> <p>Or</p> <p>Toll-free No. 14448 (9:30 am to 5:15 pm)</p>
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9.10 Review of Grievances:

The senior management of the Company shall periodically review the grievances. Once in a quarter, the Board of Directors of the Company shall review and discuss the analysis of the grievances received during the quarter.

10. Whistle Blower

- Spandana recognizes that employees are a significant source of whistle blowers as they would be in a position to identify the deviations against the FPC or any other policy of the organization. Any employee can lodge a complaint against his superiors/ subordinates/ colleagues who are allegedly involved in prohibited activities and breaches code of conduct such as fraud, misappropriation of funds, unethical behavior, mistreatment towards Borrowers etc., by sending a mail to complaints@spandanaphoorty.com. The Company has dedicated Complaints Team at Head office to deliberate on the complaints received and to seek review and feedback from Fraud Investigation and Crisis Management (‘FICM’) team on case to case basis interact or communicate with the employees concerned and maintain tracker of the complaints received. The Complaints team will present the complaints with their observations/feedback and review reports to the Disciplinary Committee (DC) for its review and decision as per the Disciplinary Policy of the Company.
- A whistle blower would also be a Borrower who gives complaint against an employee for any of the prohibited activities such as fraud, misappropriation of funds, unethical behavior, mistreatment towards the Borrowers’ etc. In this regard, staff or Borrowers of Spandana can call the dedicated toll free number of the CSS and lodge their complaint. The complaint will be investigated and appropriate action will be taken by the DC. (Caller name will be kept anonymous, if requested)
- However, the caller should have enough evidence on correctness of the Borrower grievance and should avoid raising unrealistic complaints. A whistle blower reporting unrealistic complaints shall not be punished if the complaint was raised with good intention and if there sufficient grounds to suspect a colleague. A staff reporting unrealistic complaints with a bad intention/motivation is liable to receive a disciplinary action i.e. oral warning on first instance and a written warning in case of repetition or any other action as per the applicable policy.

11. External Complaints

Complaints received from (on behalf of Borrower or on the basis of public interest) general public & other stake holders such as Government agencies, RBI, police, lawyers, industry ombudsman (AKMI, Sa-adhan & MFIN etc.) & social activists will also be handled at Head office and provide appropriate

redressal in terms of the applicable policy. Hence, any staff who receive complaints from such agencies should escalate them to CSS.

12. Dissemination of FPC and GRM

- a. The Company's HR policy has criteria for recruitment of all staff, their training and the reporting structure. The criteria cover minimum qualification, skill sets and their social and behavioral aspects. Each employee is trained on FPC, GRM, Code of Conduct, Whistle Blower Mechanism and the appropriate way of dealing with the Borrowers. Guidelines provided in Industry Code of Conduct by MFIN & Sa-Dhan, has been approved and adopted by Board.
- b. **Employee Training:** Every employee is trained on the FPC including grievance redressal mechanism. Besides, they are also trained on soft skills so as to behave properly and respectfully with borrowers without adopting any abusive or coercive debt collection / recovery practices. Each employee is trained in a way that the Borrower is given due respect and is treated with dignity and self-esteem. The employees are trained to make necessary enquiries regarding the income and existing debt of the household of the prospective Borrowers.
- c. Utmost importance shall be given to the adherence of the FPC, GRM, Code of Conduct and Whistle Blower Mechanism while awarding the promotions to staff.
- d. Disciplinary action shall be taken on staff who do not adhere to the FPC, GRM, Code of Conduct and Whistle Blower Mechanism.
- e. All branches & head office of Spandana shall prominently display FPC, GRM, Code of Conduct and Whistle Blower Mechanism in vernacular language for Borrower's information.
- f. A copy of this FPC & GRM shall also be uploaded on the website for the information of various stake holders.
- g. Borrower Education: Borrowers shall be educated on the FPC, GRM and escalation matrix for their unresolved complaints, options, choices and responsibilities vis-à-vis financial services. Borrower education shall be made through group training, interaction in the Branch and Center Meetings.
- h. New Borrowers must be informed about the organization's policies and procedures to help them understand their rights as Borrowers.
