

Fair Practice Code (FPC)

The Policy hereunder shall be called 'Fair Practice Code' to be adopted by Edelweiss Asset Reconstruction Company Limited (EARC) in the process of acquisition and resolution of stressed assets, enforcement of security interest, transparent dealings with SR holders, borrowers and outsourcing of non-core functions in compliance with RBI guidelines under circular no. DOR.NBFC(ARC) CC. No. 9/26.03.001/2020-21 dated July 16, 2020. The policy would be reviewed periodically and modified to comply with guidelines issued by RBI from time to time.

Scope / Applicability:

Policy framework for implementing the guidelines and prescriptions from the RBI from time to time on Fair Practice Code for Asset Reconstruction Companies. The policy addresses the following aspects.

- Acquisition Process: Need for transparent and non-discriminatory practices in acquisition of assets, arm's length dealings, policy on charging of management fee and other incentives / charges.
- Resolution through Sale of assets: Wider consultation with SR holders for the terms and process of sale of assets, sale of assets through transparent process enabling larger participation and observing spirit of Sec 29A of IBC while selling assets through SARFAESI.
- Comprehensive outsourcing policy approved by Board
- Board approved policy on Code of Conduct for Recovery Agents, covering customer confidentiality, non-harassment of debtors and training of recovery agents and responsibility of ARC as the Principal.
- Constitution of Grievance Redressal machinery within the organisation.
- Transparent and responsible dealings with borrowers and SR holders.

Acquisition Pricing:

A transparent and non-discriminatory pricing shall be followed for any asset with same nature, structure and major price evaluation parameters which are acquired at the same time. In case of any price differential for specific valid reason, same shall be duly documented at the time of acquisition. All acquisitions shall be at arm's length. All acquisitions from group entities shall be under an auction process and at arm's length. Acquisition from group entities shall also subjected to related party transaction approval by Audit Committee of Board. This additional policy guideline would be duly incorporated in Financial Asset Acquisition Policy at the time of next review.

Expenses and Management fee / incentive chargeable to Trust by EARC:

Expenses shall be charged on actuals to the trust. Management fee shall be capped at 10% p.a. with actual fee being determined on the asset specific details and prevailing market trend. Similarly, recovery / redemption incentive shall be capped at 10% p.a. for non-retail and mortgaged backed

retail (Housing Loan, Mortgage Loan, Loan against Property) assets and 15% for other retail assets including unsecured pool. The charges of recovery agent for unsecured pool shall be based on the market rates. Upside sharing shall be in proportion to the SR holding or as negotiated between the assignor and assignee. Any increase in the management fee, recovery/redemption incentive or any other incentive/fee beyond the prescribed limit can be approved by the Managing Director & CEO of the Company.

All expenses, fees, incentives and any other financial terms shall be duly recorded in the Assignment Agreement.

Transparency in the process of Sale of Assets:

The present practice of submitting quarterly update to SR holders on the developments and progress in recovery and resolution status of the trust (s) shall be continued. In addition, in cases of sale of asset, all the sale notices shall be displayed at the website of the Company and shall be provided to the SR holders on their request. The bid document shall include an express affidavit by the bidder on compliance with Section 29A of the IBC.

Outsourcing Activity:

A comprehensive Board approved outsourcing policy shall be put in place incorporating criteria for selection of specific activities to be outsourced, selection of service providers, delegation of authority depending on risks and materiality. Robust system enablers shall be created to monitor and review the operations of these activities/ service providers. It must be ensured that the Outsourcing arrangement fulfils EARC's obligations to customers and the regulators.

In the event of engagement of any outsourced agency controlled by any of the Directors of EARC, same shall be appropriately disclosed as specified in the RBI Master Circular.

Engagement of Recovery Agents:

Engagement of Recovery Agents shall be as per the stipulations of the outsourcing Policy. In addition, EARC shall have a Board approved Code of Conduct for the Recovery Agents. Recovery Agents shall provide undertaking to abide by the Code of Conduct at the time of appointment.

Being the principal and responsible for the acts of its agents (recovery Agents), EARC shall ensure that the Recovery Agents are properly trained to discharge their responsibilities, observe strict customer confidentiality, adopt appropriate behaviour with the borrowers and observe other stipulations in dealing with borrowers in accordance with prevailing RBI guidelines from time to time.

Grievance Redressal Mechanism:

The company already has a Board approved policy on Grievance Redressal Mechanism and displayed on the Company's website. The policy shall be reviewed periodically.

EARC dealings with debtors and SR holders:

With strong culture of ethics, transparency and responsibility, the following guiding principles shall be adopted by the company and its employees while dealing with debtors, SR holders and related information.

- Staff shall be properly trained to deal appropriately with the debtors.
- Discharge fiduciary responsibility to SR holders treating them fairly, protecting the fiduciary assets, providing necessary disclosures, avoiding any conflict of interest and acting in their best interest.
- Respect regulatory and contractual responsibility to various information that would be available in the course of business, be it relating to the borrowers or SR holders or intermediaries or any other stake holders. Such information shall be treated as strictly confidential and shall not be disclosed to anyone including other companies in the group unless such disclosure is warranted by law or duty towards public or has stakeholder's consent.
- On payment of dues as per settlement terms, a No Dues certificate shall be issued and release of security with all the related documents including title documents should be done expeditiously. However, the security documents shall not be released if the same is held in trust for other lenders, without obtaining written consent from all those lenders for release of documents.
- On payment of dues If the security is to be retained exercising right of set off against any other claim against the borrower, a notice of such intention with full particulars shall be issued to the borrower.

Policy Review:

The Board shall review the policy on an annual basis.