

FAIR PRACTICES CODE

1. Introduction

CATERPILLAR FINANCIAL SERVICES INDIA PRIVATE LIMITED (“**CFSI**” or “**Company**”) is a Non-Banking Financial Company (“**NBFC**”) established as per the Reserve Bank of India guidelines. **CFSI** is committed to and conducts its business activities lawfully and in a manner that is consistent with its compliance obligations and meets the highest ethical standards.

RBI has issued the guidelines on fair practices code for NBFCs vide its circular dated September 28, 2006 (Circular No. RBI/2006-07/138 DNBS (PD) CC No. 80 / 03.10.042/ 2005-06) which sets out the fair practices standards when dealing with customers. RBI *vide* its master circular dated July 1, 2015 (DNBS (PD) No. 054/ 03.10.119 / 2015-16) had amended the guidelines on fair practice code for NBFCs.

The Fair Practice Code Policy (“**Policy**”), as adopted herein below and as may be suitably amended or modified from time to time, is in conformity with the guidelines issued by RBI. The Policy applies to all categories of current and future products and services offered by **CFSI**.

The Policy is applicable to the company, irrespective of whether the product or services is provided at any of our offices located in India or online or by any other method we may be currently using or may introduce at a future date.

In the event of any conflict of interpretation/information between this Policy and any Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars/Directions by RBI, interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions issued by RBI shall prevail.

This Policy is drafted and approved by its Board of Directors at their meeting held on 19th July 2019 in terms of the guidelines issued by the RBI.

2. Objectives of the FPC:

- To act fairly and reasonably in all dealings with its customers
- To ensure the availability of our financial products to all eligible and qualified applicants, without any discrimination on the basis of religion, caste, gender, age, x`marital status, descent in any manner
- To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transaction
- To attempt in good faith to resolve any disputes or differences with customers by setting up Grievance Redressal Mechanism within the organization

- To ensure greater transparency enabling customers in having a better understanding of the product and taking informed decisions
- To maintain a fair and cordial relationship between CFSI and the customers
- To ensure that the regulatory requirements with regard to customer interface are met

3. Key Commitments

CFSI shall act efficiently to make following key commitments in dealing with its customers:

- CFSI will communicate this Policy to its customers by making this Policy available to everybody on its website
- The proper implementation of this Policy, as enumerated herein, shall be the responsibility of CFSI's Board of Directors and the management team
- CFSI will ensure a hassle-free experience to its customers. CFSI will deal swiftly in the case of errors of commission and omission
- CFSI will ensure to help customers understand how financial products and services of the Company work by giving verbal information about the financial programs in English and/or local vernacular language and also explain about the financial implication of the transactions.
- CFSI will make sure that its staffs are well trained to provide information about the Policy and to adequately deal with the customers in an appropriate manner including attending to their complaints in a proactive manner.

4. Applications for loans and their processing

- The primary business of CFSI would be to provide end to end financing solutions for its end customers for purchase of Caterpillar Equipment across different customer segments in India. The process for availing the application will be as follows:
 - Customer will fill in an application stipulated by CFSI. The application form will contain fields that the customer will be expected to fill. The application form filled in by the customer, together with all the KYC documents and customer's credit rating will determine CFSI's credit decision to finance the customer. Details pertaining to the required documents which have to be submitted along with the application form shall be indicated in the application form.
 - Once the credit decision is made and the financing to the customer is approved, the customer will be provided an approval letter formally intimating the customer of the loan approval.
 - The approval letter will be followed by a sanction letter providing the terms on which the financing would be provided to the customer, which will be acknowledged and agreed upon by the customer
 - Any changes to the sanction terms originally proposed by CFSI agreed upon between CFSI and customer will result in the issuance of a new sanction letter to be acknowledged and approved by the customer.

- Upon acceptance of the sanction letter by the customer, the customer will sign a Loan and Security Agreement setting forth the terms and conditions that would govern the financing to the customer.
- The loan agreement will, inter alia, contain repayment and interest clauses, creation of security interest, recovery and repossession of the security in the event of default etc.
- An acknowledgment of the receipt of all the loan applications shall be given to all loan applications. The acknowledgement would mention the indicative timeframe within which loan applications will be disposed of.
- It will be the duty of CFSI to verify the loan applications within a reasonable period of time and if additional details/documents are required, it shall inform the customers accordingly.
- All communications to the customer shall be in English. However, CFSI or its representative will explain the communication to the customer in vernacular language for their perfect understanding.
- CFSI will provide the details of the interest rate, processing fees/charge (if any), prepayment options and late payment charges or any other charges (if any) etc. immediately upon CFSI's acceptance of the customer's application for financing.
- Under the sanction letter, CFSI will make available all the relevant information relating to loan and loan facility which affects the interest of the customer, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the customer.
- The rate of interest and other charges applicable to the customers shall be based on a number of factors such as CFSI's internal policies and procedures, profile of the customers, market risk, loan category, financial strength of the customers, security/collateral offered, CFSI's cost of funds, etc.
- The application form will disclose to the customers, the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of customers.
- At the time of availing of a loan, the Company will provide the customer with information on when the interest will be debited to the account. The rate of interest charged will be annualized and the same will be informed to the borrowers so that the borrowers are aware of the exact rates that would be charged to the account.

5. Loan appraisal and terms/conditions

- Generally, all particulars and documents required for processing the loan application shall be collected by CFSI at the time of customer applying for loan. In case CFSI needs any additional information, the customer shall be informed appropriately to facilitate expeditious consideration of the loan request.
- CFSI has its internal credit policies, norms and procedures, based on which, it shall scrutinize and assess the credit applications made by the customers.

- Once the loan application is approved, CFSI will convey in writing to the customer by means of sanction letter or otherwise in English and/or in the language as understood by the customer, the key terms and conditions of the proposed lending, including the amount of loan sanctioned, annualized rate of interest, method of application thereof including EMI structure, if any, prepayment charges. CFSI shall preserve the acceptance of these terms and conditions by the customer as for its record.
- A copy of the loan agreement will be furnished in English with a copy of all enclosures quoted in the loan agreement at the time of sanction/disbursement of the loan. The terms of the loan agreement will be explained to the customer in vernacular language.
- There are a lot of factors based on which the interest applicable is determined. The penal interest or late payment charges, if any, to be charged by CFSI shall be mentioned in bold in the loan agreement/sanction letter. A written acceptance of such terms and conditions from customers shall be retained by CFSI.

6. Disbursement of loans including changes in terms and conditions

- CFSI shall provide notice to the customer in English and/or in the language as understood by the customer of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. CFSI will also ensure that changes in interest rates and charges are effected only prospectively. A specific clause in this regard will be incorporated in the loan agreement.
- All communication like acceptances (including for amendments or addendum) with the customer in relation to the sanction / facilities / loan / mandate / proposals shall be in writing
- CFSI's decision to recall/accelerate payment or performance under the agreement shall be in compliance with the loan documents.
- CFSI will 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 CFSI may have against the customer. If such right of set off is to be exercised, the customer shall be given notice about the same with full particulars about the remaining claims and the conditions under which CFSI is entitled to retain the securities till the relevant claim is settled/paid.

7. Applicant with Disability(ies)

CFSI shall not discriminate in providing products and facilities to the physically/visually challenged applicants on the grounds of disability. They shall be treated at par with the other applicants. CFSI will provide assistance to the applicants with the disability(ies) and aid them in understanding the product and making informed decisions.

8. **General**

- CFSI will refrain from interference in the affairs of the customer except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the customer, has come to the notice of/been noticed by CFSI).
- In case of receipt of a request from the customer for transfer of the loan account to another lender, the consent or otherwise i.e. objection of CFSI, if any, shall be conveyed within 21 days from the date of such receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, CFSI will resort only to remedies which are available to it under the loan agreement and will avoid using recovery measures or resort to undue harassment viz persistently bothering the customers at odd hours, use of muscle power for recovery of loans, etc. CFSI will make all efforts so that its staff is adequately trained to deal with customers in an appropriate manner.
- CFSI shall endeavor to provide at least 24 (twenty four) hours notice before initiating any recovery processes
- Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement. However, CFSI will be open to any further negotiations, in consonance with the laws and commercial practice.
- CFSI shall have the right to recover from the borrower the balance amount due if any, after sale of secured assets in accordance with the Loan and Security agreement. Pre-payment options available to the customer and the additional interest payable shall be in accordance with the loan agreement.
- Release of the security upon customer's payment of all dues owing and payable to CFSI will be in accordance with the terms of the Loan and Security Agreement.

9. **Responsibility of Board of Directors towards Grievance Redressal Mechanism**

The Board of Directors of CFSI shall lay down the appropriate and robust grievance redressal mechanism within the organization. This Forum will ensure that all the disputes arising out of the decisions of CFSI's functionaries are heard and disposed of at least at the next higher level. The same will be displayed in the company's website and in its offices.

10. **Review of the FPC**

- There will be an annual review of the compliance of this Policy and the functioning of the grievances redressal mechanism at various levels of management unless in the decision of the Board of Directors a review of the policy is needed sooner.
- A consolidated report of such reviews shall be submitted to the Board of Directors at regular intervals.

11. Confidentiality

- All personal information of the customer would be treated confidential and would not be disclosed to any third party unless required under prevailing regulations or unless agreed to by the customer in writing. The term ‘Third party’ excludes all Law enforcement agencies, Credit Information Bureau, RBI, other banks and financial institutions and any other State, Central or other regulatory body.
- Customer information would be revealed only under the following circumstances, namely;
 - (i) if CFSI is compelled by law;
 - (ii) if it is in the public interest to reveal the information;
 - (iii) it is in the interest of CFSI to require disclosure

12. Force Majeure

The commitments made by CFSI are applicable under a normal working condition. In the event of Force Majeure, there is a possibility of CFSI not fulfilling its commitments under this Policy to the entire satisfaction of its customers or the other stakeholders.

The Board of CFSI have power to effect any changes, amendments or modifications, if any, in the Fair Practice Code at periodic intervals.