

Loan Policy

RRFL

1. Objective and Scope of this Policy

1.1 Reliance Retail Finance Limited (RRFL / the Company) is registered with Reserve Bank of India (RBI) as a non-deposit accepting NBFC. Being an NBFC, it has to comply with Guidelines / Directions issued by RBI from time to time. The Company's Loan Policy is the framework, which defines the principles for retail lending business. The Company shall duly implement and keep the Loan Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory, corporate or other legal requirements.

1.2 The objectives of this Policy are as below:

- a) To create a set of standardized policies and procedures for the lending activities of RRFL.
- b) To institute due diligence for mitigating level of credit risks and improve credit quality.
- c) To define overall risk appetite.
- d) To establish underwriting framework- including maximum credit limits, risk limits, etc.
- e) To ensure thorough loan appraisal and proper monitoring of all outstanding loans. This includes both; supervision of outstanding loans as well as recovery of overdue loans.

This Loan policy provides an overall description of all stages of the lending process.

1.3 In pursuing its business, RRFL will operate according to the highest ethical and compliance standards and constantly seek to follow best practices in the industry. Under no circumstances will contravention of laws and relevant regulations would be tolerated.

2. Business Strategy and Business Operations

2.1 RRFL business operations need to be financially sustainable i.e. all expenses shall have to be met from income essentially from interest earned on loans extended in addition to income from investments and fees collected from services extended to customers. The Company may give loan to any Body Corporate(s), firm(s), Individuals, etc.

2.2 Business Segments

- **Retail Lending:** RRFL aims to extend loans, initially, to the available ecosystem of Jio customers. Thereafter, RRFL shall increase the ambit to the public for personal loans including consumer durables, travel, marriage and such. The Loan Policy enumerates on the customer segments, purpose of loan, process of loan approval and disbursal, interest rate determination of the loan disbursal and

charges to be borne by an individual customer. The detailed loan policy on MSMEs shall be taken up consequently.

- **Corporate Lending:** The Company can further extend loans to any Body Corporate(s), firm(s), non-individual entities.
- **Other Segments / Loan Products:** The Committee can further determine product parameters for retail lending and set limits on total book size for each product. The loan policy has been framed in line with the Fair Practices Code prescribed by RBI.

2.3 Sanctioning Authority

- Investment and Lending Committee (herein after referred to as 'Authority' or 'the Committee') shall be the sanctioning authority. Authority may approve the proposal from any other sector on case to case basis covering the entire spectrum of aspects viz. Purposes, size, interest rate, term, repayment terms, and security required and any other conditions will be as decided by the Committee.
- The sanctions accorded by the ILC shall be placed before the Board in their ensuing meeting for the purpose of review and ratification.
- Any particular loan or any other feature of the Policy can be directly placed before the Board for seeking their approval.

3. Purpose of Loan:

3.1 In the near term, RRFL lending business will support the following use cases within the Reliance Group:

- Amplify the 4G revolution in India by making devices affordable for all end consumers through low-cost financing and leasing options.
- Enable small merchants across the country with access to low-cost working capital for digital enablement of their operations and inclusive growth.
- Reliance already engages with farmers through Reliance Foundation and offers advisory services to assist decision-making in enhancing farmland productivity. This business will aim to further that engagement by addressing the credit requirements of the farmers.

3.2 In the long term, it is envisaged that the lending business will reach out to both existing customers as well as open market customers and fulfil their financing needs for purposes as wide ranging as Loans for purchasing Consumer Durables, Cash loans, and the gamut of curated lending products.

3.3 The Company can further extend the loans to corporate (non-individual entities) for their business needs within the risk appetite and regulatory framework.

4. Customer Selection:

In case of individuals, loans shall be provided to:

- Salaried Employees of Public Sector Institutions/Companies/Undertakings
- Salaried Employees of Private Sector Companies
- Self-Employed Individuals
- Students

5. Loan Underwriting:

The process from the receipt of customers' request and communication of the final approval of facility will be as under:

5.1 Loan Approval process:

The process will start from the receipt of customers' request and the processing of same, including approval of the credit facility. The process ends with the communication of an approval of facility to the customer through a term sheet/sanction letter.

- **Loan Application:** The customer shall submit a form either at offline or online touch-points to inform the Company regarding the interest in a certain loan product.
- **KYC Document Verification:** The documents submitted by the customer will be required to be analyzed either using competent technological or human resources.
- **Credit Appraisal:** This step involves arriving at a decision to provide the loan or not. RRFL shall require additional documents such as income statement, PAN, Form16 or other considered necessary from the customer.

5.2 Final decision on Sanction:

The final decision to provide the loan or not will remain with RRFL after all the previous steps.

Since the major focus in retail loans shall be unsecured loans, the underwriting shall be strengthened such that loans shall only be granted after the ability and intention to pay of the individual is assessed to an extent as much as possible. Unconventional sources such as alternative data modelling to arrive at the credit worthiness of the individual can also be used.

Unsecured loans shall not be granted to those who do not have a verifiable regular income, other than students. In case of students, the personal loan shall require the guarantee of another person who shall pay in case of default.

5.3 Processing Fee:

RRFL has decided to charge a processing fee at applicable rates from time to time. Any revision in these charges would be implemented on prospective basis with due communication to customers. These charges would be decided upon by the respective business / Function heads in consultation with Operations, Finance, Compliance and Legal

Heads.

5.4 Other Charges:

The below charges shall be as applicable for each product line.

- Prepayment Charges/Loan Foreclosure
- Additional Interest on late payment
- PDC/ECS swap charges
- Loan cancellation charges
- EMI Bounce charges
- Legal charges

6. Tenor

The retails loans shall be granted for a tenor of not more than 5 years.

Besides the above, in order to gainfully utilize the deployable funds, the Company shall make a short-term deposit / loan including inter corporate deposits for a period not exceeding one year. The maximum period credit facilities shall not exceed 20 years from the date of disbursement of the loan.

7. Determination of Interest rates:

7.1 The base interest rate comprises of the cost of funds, operational costs and the minimum rate of return desired. The further spread will take into account the factors in the creditworthiness of the customer in the form of risk premium.

7.2 Other relevant factors have been enumerated below:

- Interest shall be accrued and charged periodically but not less than monthly rests. Fees/ charges may be levied upfront or at other specific intervals as per the agreed terms and conditions.
- Some fees or commissions may have to be paid before the commencement of a facility, the customer shall be required make advance payment of such funds to RRFL.
- In all cases, the effective interest rate shall be clearly communicated to the customers, all fees, commissions, interest rates and their calculations shall be transparent and explained in a manner that could be understood by the customers, in compliance with the FPC, and the duplicate term sheet duly signed shall be obtained from the borrowers in token of acceptance of the terms and conditions of the facility.
- Interest Rate policy will be reviewed periodically to take into account market

forces, inflation and risk factors.

- Interest rate structure may vary among borrowers depending upon the risk factors & need for achieving operational & financial sustainability. The Credit Authority will go through the rate recommended and give approval in all such cases.
- The sanctioning authority shall record specific reasons in writing at the time of sanctioning loans, in case no interest is stipulated or a moratorium for principal or interest is granted for any period.

7.3 The rate of interest shall majorly depend on three overarching major factors:

(a) **Company factors:**

- The cost of funds: Currently, both equity and debt funding is provided by the parent company, Reliance Industries Limited at an internally decided rate. Going forward, RRFL shall opt for bank borrowings, debentures and commercial papers.
- Operational costs: This would include the cost of using manpower for applicant's checks and document processing/verification, and if any face to face interaction is required.
- Technology costs would also be factored in.
- Forecasting and planning objectives: RRFL shall have an Annual operating Plan with certain Return on equity/Return on Assets targets. Thus, the interest rate would have a margin for fulfilment.

(b) **Customer Factors based on the risk categorization (low, medium, high) of the customer:**

- Credit Bureau rating: All customers with existing tradelines shall be partly evaluated on the basis of their credit score. A cut-off score shall be defined with risk categorization and associated interest rates.
- Customer history: If a customer already has a loan account with RRFL, the performance of the individual on the existing repayments shall be evaluated. This is also a subset of the credit score.
- Customer Alternate data results: Going forward, RRFL shall heavily invest in developing strong technological capabilities to analyze social media content via partnerships, Information sourced from electronic devices via mobile-based application permissions to understand the linkages between the declarations made by the customer and the reality reflected by his/her financial transactions and actions.
- Applied Amount and Tenor of the loan: The interest rate shall also factor in the amount of loan and the number of months that the loan shall be repaid in.

(c) **External Factors:**

- Possibility of linkage of loan rates with benchmarked rates
- Competition Loan Rates: RRFL shall be mindful of the interest rates

charged by its peer group companies for the benefit of the customer as well as for being ahead of the curve in terms of sound business sense.

(d) Other Important factors:

- The rate of interest shall be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- The rate 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 or customer in the application form and communicated explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

(e) Repayment:

The Loan may be repayable in one or more installments as per the terms agreed upon. However, the cut off date for repayment may be extended by the sanctioning authority for any particular case. Where such cut off date for repayment is extended beyond a period of one year from the due date, the sanctioning authority shall record specific reasons in writing for such extension.

(f) Security:

For secured loans, the borrower shall, in consideration of the loan given, create such security in favour of the Company as stipulated by it, including a demand promissory note, wherever applicable.

(g) Collaterals:

In case it is felt necessary to strengthen the credit worthiness of the borrower, a co-borrower / guarantor may be considered.

8. Customer Journey:

RRFL shall have two ways in which the customer can reach out for the services.

- a. **Independent through Web:** This shall be either through the mobile application or the online website (web-app).
- b. **Assisted through web/offline:** This shall be in both online and offline modes (in affiliated Jio stores) and branches, if any, opened in future.

9. Pre-approved Customers:

In this case, RRFL may approach the customer based on the determined credit worthiness from alternative sources of data obtained via application permissions, credit

bureau and enabling the decision engine to identify customers.

This would then simply be a consent to the offer made by RRFL. From acceptance of the offer to actual disbursement, it could be independent or assisted.

10. General Information:

- All customers shall be informed in detail regarding the features, terms and conditions including all charges of the loan before the sourcing of the application. In case of credit facility availed over online or telephonic mode, no loan application shall be processed without a written consent from the customer.
- RRFL shall not discriminate the sanctioning of loans based on gender, caste or religion. However, it may choose to develop lending schemes for specific sections of the society.
- After the sanction of the loan, the loan terms and conditions, sanctioning letter, repayment schedule and all other such relevant documents shall be sent in any chosen mode and explained to the customer.
- We shall endeavor to inform the customer regarding status of the account prior to it turning into an NPA.

11. Reporting to CICs: RRFL shall ensure submission and updation of credit information for its borrowers regularly to all the Credit Information Companies (CICs) on a monthly basis or at shorter interval.

12. Periodic Updation:

The Loan Policy shall be reviewed annually or as and when required necessary.