

National Asset Reconstruction Company Ltd (NARCL)

Policy for Code of Conduct of Recovery Agents

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1. Introduction

National Asset Reconstruction Company Limited (hereinafter referred to as “NARCL” or “Company”) has been incorporated under the Companies Act, 2013 as a Government Company (limited by shares) on 7th July 2021.

India Debt Resolution Company Limited (“IDRCL”) was incorporated on September 3, 2021, as a public limited company with stake held by public/private banks with a primary objective of providing debt management and debt resolution services exclusively to NARCL.

This policy for code of conduct of recovery agents (“Code of Conduct” or “Code” or “Policy”) seeks to set the guidelines, principles on the ethical and moral standards which are expected to be followed by all persons (acting on behalf of NARCL) for recovery (hereinafter referred as “Recovery Agents”).

2.Objectives of the Policy

The key objectives of the Policy are:

1. To provide requisite guidelines pertaining to the conduct that should be maintained by all Recovery Agents in course of debt recovery process.
2. To provide understandability on ethical practices and no resort to unduly coercive tactics in the process of recovery of Non-Performing Assets (NPAs).
3. To ensure that a defaulter is treated with respect and dignity.

3. Applicability of the Policy

The Policy is applicable to all employees, officers, directors, and other relevant stakeholders, across all branches (if any) and departments of the Company

4. Guidelines underlying the Code of Conduct to be followed by Recovery Agents

1) Maintaining dignity and fair treatment –

- The borrower should always be treated with dignity and respect, and the Recovery Agents shall not resort to harassment of the borrower. During all the conversations – communication (over telephone / in writing / during visits) professionalism and transparency should be displayed and the representatives should not treat it as personal.
- Fair practices, courtesy, and persuasion to be followed at all times thereby fostering borrower confidence and long-term relationship.
- Approach for recovery should be practical and non-prejudicial.

- All assistance should be given to the borrower to resolve disputes or differences, if any, arising in relation to the dues, in a mutually acceptable and in an ordinary manner
- Demeanour that may suggest criminal intimidation or threat or violence should be scrupulously avoided.
- Assistance in recovery of dues to be either by direct recovery or seizure & disposal of secured assets or facilitating a negotiated settlement by adopting legally permissible means of recovery.
- To the extent practicable, for women borrowers, the Recovery Agent should depute at least one woman employee for interactions (either on phone or in person)

2) Confidentiality and privacy –

- Recovery Agents shall keep all the information of entrusted borrowers highly confidential and observe strict borrower confidentiality.
- Recovery Agents may communicate with third parties to obtain borrower's location information - home address, business address, home phone number and workplace phone number. However, this may be only done when the borrower's present location is either unknown or uncertain.
- While obtaining such information the Recovery Agent must clearly identify himself/herself but not state that the borrower owes a debt that is overdue.
- The privacy of the borrower should be maintained. The borrower should not be embarrassed in the presence of his/her neighbours.
- The Recovery Agent should not discuss the borrower's debt where others can overhear the conversation.

3) Language –

- Recovery Agents should use the formal mode of address in the language of choice of the borrower.
- They should always remain professional during telephone conversations and visits.
- As the situation requires, they may also be assertive and firm.
- No written or verbal threats, abuse or rudeness is permitted.
- Agents should not become abusive, visibly irritated or demean the borrower in any fashion.
- Agents should use only acceptable business language, even if the other party does not.

4) Calling/visiting hours –

- Contact may normally be limited to between 9:30 hrs. and 6:30 hrs. unless the special circumstances of the borrower's business or occupation demands otherwise.
- However, it may be ensured that a borrower is contacted only when the call/visit is not expected to cause inconvenience to him/her.
- Calls/visits earlier or later than the prescribed hours may be made only under the following conditions:
 - When the borrower has authorized to do so in writing or orally.

- Due notice of recall of the loan has been served on the borrower, and appointment of Recovery Agent has been intimated to him, and the borrower is intentionally avoiding calls/visits of the Recovery Agent.
- When attempts to contact the borrower have resulted in information that the borrower is normally only available outside these hours.
- Time and number of calls/visits and contents of conversation may be documented if required. Notes/contents of conversation should be clear, concise and accurate. However, conversations with borrowers should not be recorded except with appropriate approvals from NARCL and consent of the borrower. In case any borrower resorts to abusive or threatening tactics, the Recovery Agent should document it.
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- All attempts, contacts, conversation, and actions should be noted as collection notes.
- A borrower should be called no more often, than is reasonable in the context of the debt.
- Queries of the borrower if any, should be addressed in full.
- Borrowers should be provided with information requested, given assistance and their issues should be resolved.

5) Leaving message for the borrower -

- Calls must first be placed to the borrower or his/her authorised representative(s).
- In the event the borrower is not available, a message may be left for him/her. The aim of the message should be to get the borrower to return the call.

6) Place of contact –

- The borrower should be contacted ordinarily at the place of his/her choice and in the absence of any specified place he/she should be contacted at his/her residence in lieu of employment/ business.
- On occasions such as bereavement in the family, any social engagement in family, any family member gravely ill or such other similar circumstances, Recovery Agents should avoid making calls/ visits to collect dues.
- Borrowers' request to avoid calls at a particular time or at a particular place should be honoured as far as practicable. To the extent the borrower has engaged a third party to assist them in discussions with Recovery Agents or generally in relation to their debt, the same courtesy may (to the extent practicable) be extended even to such third parties. Such individuals (borrower) should be asked to provide an alternate address/ phone number where they may be reached.

7) Code to be adopted during call–

- The Recovery Agent shall identify himself/herself to the borrower and will apprise him/her of the authority to represent.
- The reason for call should be clearly stated, providing the borrower with all the information regarding dues and necessary notice be given for enabling discharge of dues.
- Offer to call back should be made if the borrower is busy.
- Conversations are required to be kept limited to business only.
- The Recovery Agent should reconfirm the next call.

8) Code to be adopted during visit –

- The Recovery Agent should not enter the borrower's residence against his/her wishes.
- The Recovery Agent should not restrict the borrower's movement or restrain him/her from entering or leaving the house/room
- The Recovery Agent should not visit in large numbers, i.e. the number of individual(s) should be restricted to what is reasonably minimum required, depending on facts and circumstances of each case.
- The Recovery Agent should not remain in the borrower's house if he/she were to leave for any reason.
- If the borrower is not present and only minors are present and/or if senior citizens (not being a borrower themselves) are present at the time of the visit, the Recovery Agents should end the visit with a request that the borrower calls back. He should neither enter the house nor wait for the borrower in his/her residence.

9) Frequency of contacts –

The purpose of a collection call is to bring to the borrower's notice the obligation and to seek a commitment to pay on a specified date. Once a promise is elicited, the borrower may only be called on the working day prior to the day committed to remind of the commitment and on the date of the commitment for confirmation of payment. In the event a commitment is not forthcoming or has been broken, calls may be made at reasonable frequency, based on amount owed, product, aging of debt and account history.

10) No misleading statement/misrepresentation permitted –

- No Recovery Agent should mislead the borrower about his/her true business or organization name, or falsely represent or imply that he/she is an attorney (lawyer), government official, officer of any court, part of any investigative agency etc.
- The borrower should not be threatened with imprisonment, the Recovery Agent should not make any reference to imprisonment. The borrower should not be threatened with arrest/detention by the police. If legal action is planned, legal advice should be obtained on what to mention to the borrower.
- Falsely represent the character, amount, or legal status of the debt.
- Abstain from using any identification which can lead to wrong representation.

11) Gifts/bribes –

- Any kind of gifts/bribe or other gratification or undue advantage (whether quantifiable in monetary terms or not) should not be accepted by the Recovery Agent, either by himself/herself or through a third party.
- The Recovery Agent shall only recover the payment dues from the borrower based on the mode of payment agreed between Company and the borrower.
- Any Recovery Agent, if offered a bribe or gift or gratification or undue advantage of any kind (whether quantifiable in monetary terms or not) by or on behalf of a borrower must report the same to NARCL expeditiously in writing.
- No Recovery Agent should collect any excess amount apart from what is due from the borrower.

12) General guidelines -

- Recovery Agents must be appropriately dressed, and shall maintain decorum and decency at all times.
- Recovery Agents should carry their identity card for proper identification and shall limit their role of recovery of dues to the borrower accounts specifically entrusted to him/her.
- Recovery Agents should furnish an undertaking to abide by the Code and strictly adhere to the same for collection of dues.
- Recovery Agents should resort to only the legally permissible activities during the course of recovery.

5. Trainings of Recovery Agents

- Company should ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of borrower information etc.
- Recovery Agents should be trained so as to not resort to intimidation or harassment of any kind either verbal or physical against any borrower during the course of their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the borrowers' family members and friends, making threatening and anonymous calls or making false and misleading representations.
- Through comprehensive trainings, it should be ensured that Recovery Agents do not induce adoption of uncivilized, unlawful, and questionable behaviour or recovery process.
- IDRCL, being exclusive and dedicated service provider for NARCL, act as an agent and attorney of NARCL as per the terms of the Debt Management Agreement. To ensure that the borrowers are dealt in appropriate manner, IDRCL, shall share this Code of Conduct with its employees at time of joining or as and when the Code of Conduct is updated, for adherence
- Company should ensure that Recovery Agent adopts the Fair Practice Code of the Company and ensure strict adherence to the same.

6. Compliance to the Code

The Company should ensure that all Recovery Agents have read and understood the Code. A signed undertaking to this effect must be obtained from each Recovery Agent.

The compliance with the Code shall be subject to periodic review by the Board.

Further, the application of the Code should be subject to appropriate level of review including periodic internal audit coverage, to learn from experience, to effect improvements in its policies and processes.

The Company should constitute grievance redressal machinery within the organisation. The name and contact number of designated grievance redressal officer of NARCL should be mentioned in the communication with the borrowers. The designated officer should ensure that genuine grievances are redressed promptly. NARCL's grievance redressal machinery should also deal with the issue relating to services provided by the outsourced Recovery Agents, if any.

7. Policy Review and Updates

The Board approved Policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

8. Regulatory References (reference to Companies Act, RBI circulars and other applicable statutes, regulations as applicable to NARCL)

- RBI circular on Fair Practice Code for Asset Reconstruction Company July 16, 2020 Circular number: RBI/2020-21/13 DOR.NBFC(ARC) CC. No. 9/26.03.001/2020-21.
- The Securitization and Reconstruction of financial assets and enforcement of Security Interest Act, 2002.

Annexure 1 – Glossary

| Abbreviations | Meaning |
|---------------|---|
| NARCL | National Asset Reconstruction Company Ltd |
| RBI | Reserve Bank of India |
| PSU | Public Sector Undertaking |
| IBA | Indian Banks' Association |
| NPA | Non-Performing Assets |

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