

# Yunus Social Business Fund Bengaluru Pvt Ltd. **Policy on Penal Charges.**

(Approved by the  
Board of Directors on 28<sup>th</sup> November 2024)

## POLICY ON PENAL CHARGES

### 1. INTRODUCTION:

Yunus Social Business Fund Bengaluru Private Limited (YSBFB) was incorporated in 2016. It subsequently received a Type I Non-Banking Financial Company (NBFC) license from the Reserve Bank of India (RBI) on February 9, 2017, categorized as a Non-Systemically Important Loan Company. In November 2019, the Company upgraded its license to a Type II NBFC. As per the latest RBI scale based regulations, YSBFB is currently categorized as an NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). The Company primarily raises capital through equity and debt financing from domestic and foreign institutions. It does not accept public deposits.

YSBFB is inspired by Nobel Laureate Prof. Muhammad Yunus's Social Business Philosophy. A social business is one with a social mission at its core, and 100% dedicated to solving human problems. A social business either creates income for the poor or provides them with essential products and services like healthcare, safe water or clean energy. They operate exactly like normal companies except for a few small differences: i) the primary aim of Social Business is to solve a social problem; ii) unlike a charity, a social business generates profit and reinvests these profits back into generating impact; iii) a social business aims to be financially self-sustaining.

We aim to achieve this through providing patient finance. to businesses that are driven by ambitious local entrepreneurs with a strong focus on solving social / environmental problems with sustainable business principles and creating impact.

#### 1.1. PURPOSE:

YSBFB's purpose is to harness the power of business to end poverty and the climate crisis.

#### 1.2. VISION:

YSBFB's vision is to have a "World of Three Zeroes" i.e.

- Zero Poverty,
- Zero Unemployment
- Zero Net Carbon Emissions.

#### 1.3. MISSION:

To provide patient and flexible capital along with growth support to social businesses in the missing middle.

#### 1.4. OBJECTIVE:

Reserve Bank of India under the **Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** requires NBFCs to formulate a Board approved Policy on Penal Charges.

With regards to complying with the RBI Master Direction, this policy has been formulated to put in place governing principles in determination of penal charges for loans and advances provided by YSBFB.

Penal charges are levied with an intended objective to drive credit discipline in the conduct of the account.

#### 1.5. SCOPE AND TARGET AUDIENCE:

The guidelines apply to all the Loan products of YSBFB.

#### 1.6. EFFECTIVE DATE:

These guidelines are applicable for all the fresh loans facility/agreement which are executed/renewed from April 1, 2024.

In case of existing Loan facility/agreements the switchover to new penal charges regime shall be ensured within 30 days of next review or renewal date or six months from the effective date of this circular whichever is earlier, this will be applicable to all the products as covered in the above section.

## 2. GENERAL PRINCIPLES:

- 2.1. Penal charges for the purpose of this Policy represents charges over and above normal interest rates/ fees, levied for default by the borrower in complying with the terms on which credit facilities were sanctioned. The term 'default' covers delays in repayment of loan, irregularity in the conduct of the account or non-compliance with material terms of the sanction of the facility.
- 2.2. Penal charges (income) will be recognized in the Profit and Loss account on an accrual basis, except in the case of charges levied on non-performing assets, which is recognized as income on receipt basis in accordance with the **Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** and amendments thereto. Further, Penal charges, along with interest and principal to be included for SMA reporting.
- 2.3. Penal charges are levied primarily to act as deterrent against breach of terms of facility and on account of enhanced credit risk experienced & incremental credit / operating costs incurred.

- 2.4. The quantum and reason for penal charges as documented in this policy shall be clearly disclosed to the customers in the loan agreement and sanction letter, as applicable, in addition to being displayed on our website under Schedule of Charges. Any change in YSBFB's policy (on account of change in regulation or otherwise) will be communicated to the borrower and the same will be applicable from the date of issue of such revised policy by YSBFB.
- 2.5. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- 2.6. On case-to-case basis, genuine difficulties of customers which led to such delay in payment / irregularity (e.g. natural calamity, etc.) should be considered with regard to levy of penal charges.
- 2.7. The applicable Penal charges should be clearly stated in the Loan Agreement and Sanction letter or Term sheet of the client.
- 2.8. Penal charge charged due to overdue / delay / default in repayment & Pre-payment penalty waiver decision is purely basis the relationship we have with our client. The following factors will be considered:
  - a) Operational difficulties of the borrower
  - b) Relationship with the borrower
  - c) Future opportunities from the borrower
- 2.9. The Managing Director of the Company shall have the power to waive off the Penalty whether partly or fully after considering the above factors.
- 2.10. The penalty charge will be communicated through the facility agreement or Sanction Letter or Term Sheet to the client. It will also be displayed on YSBFB's website under Schedule of Charges.

### **3. REVIEW AND REVISION:**

The Board of Directors of YSBFB shall review the policy annually and shall approve all necessary changes for adoption.

### **4. ADMINISTRATION & ADOPTION OF POLICY:**

The Managing Director of the Company shall be responsible for the administration, interpretation, and application of this policy. The Managing Director of the Company also shall be empowered to bring about necessary changes to this Policy, if required at any stage with the concurrence of

the Board. This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.

**5. DISCLOSURE ON THE WEBSITE:**

The details of this policy shall be disclosed by the YSBFB in its website.