121 FINANCE PRIVATE LIMITED

FAIR PRACTICES CODE

Approved by the Board of Directors on

5th January 2026

Compliance Department

1. BACKGROUND AND INTRODUCTION

121 Finance Private Limited ("Company") is a Non-Banking Financial Company - Factor ("NBFC-Factor") registered with the Reserve Bank of India ("RBI").

The Company is engaged in providing factoring and related receivables financing solutions to its customers, including micro, small and medium enterprises, proprietorships, partnership firms, limited liability partnerships, companies and other eligible legal entities.

This Fair Practices Code ("Code") sets out the principles and minimum standards for fair, transparent and responsible conduct by the Company while dealing with its borrowers, clients, assignors, sellers and, where applicable, debtors / buyers connected with factoring transactions.

The Code has been framed considering the applicable RBI directions, including the fair practices framework for NBFCs, RBI directions on penal charges, Key Facts Statement (KFS) requirements wherever applicable, responsible lending conduct, grievance redressal and customer protection principles. The Code also takes guidance from responsible business conduct standards applicable to regulated lending institutions, to the extent relevant and applicable to an NBFC-Factor.

The Company shall follow the applicable statutory and regulatory requirements and shall modify this Code whenever required to align with changes in RBI directions, or any other applicable rules/laws, as prescribed by Government or any other applicable regulator, rules framed thereunder, and other applicable laws.

2. OBJECTIVES

The objectives of this Code are:

1. To promote fair, transparent and responsible practices in the Company's dealings with customers;
2. To ensure that customers are informed of material terms, pricing, charges, obligations and risks before entering into a transaction;
3. To enable customers to make informed decisions regarding factoring and credit facilities;
4. To ensure that pricing, penal charges and other charges are disclosed in a clear and non-misleading manner;
5. To ensure that recovery and enforcement actions are lawful, fair and non-coercive;
6. To provide a clear grievance redressal and escalation mechanism;
7. To ensure that the Company's employees, agents, service providers and recovery representatives act in accordance with this Code; and

8. To ensure Board oversight over the implementation, review and modification of the Code.

3. DEFINITIONS

For the purpose of this Code, unless the context otherwise requires:

“Assignor” means any person who is the owner of any receivable;

“Applicable Law” means all laws, rules, regulations, directions, circulars, notifications and guidelines applicable to the Company, including those issued by RBI.

“Borrower” / “Customer” / “Client” means any person or entity that avails or seeks to avail factoring, receivables financing, loan, advance or any other credit facility from the Company.

“Debtor” / “Buyer” means the person or entity liable to pay the receivable assigned or proposed to be assigned in favour of the Company under a factoring arrangement.

“Factoring” means acquisition, financing or discounting of receivables, with or without recourse, as permitted under applicable law and the Company’s internal policies.

“KFS” or “Key Facts Statement” means a statement of key facts relating to a credit facility, in a simple and understandable format, wherever applicable under RBI directions.

“Penal Charges” means charges levied for non-compliance with material terms and conditions of a financing contract. Penal charges shall not be treated as penal interest and shall not be capitalised.

“Receivable” means any money owed by a debtor to a borrower / assignor / seller for goods supplied, services rendered or other eligible commercial transactions, which may be assigned, discounted or financed by the Company.

“Sanction Letter” means the written communication issued by the Company setting out the approved facility amount / limit, pricing, charges, security, repayment / realisation terms and other material conditions, it may also be called as Term Sheet

“Security” includes any collateral, guarantee, charge, lien, assignment, receivable, document, title, deposit, undertaking or other credit support obtained by the Company in connection with a facility.

4. APPLICABILITY

This Code applies to:

1. All factoring, receivables financing, credit and related facilities offered by the Company, including all activities as permitted for NBFCs;
2. All customers, prospective customers, borrowers, assignors, sellers and, where relevant, debtors / buyers;
3. All employees, officers, directors and authorised representatives of the Company;
4. All agents, recovery representatives, service providers, digital partners, sourcing partners and outsourced agencies acting for or on behalf of the Company; and
5. All stages of the customer relationship, including marketing, onboarding, application, appraisal, sanction, documentation, disbursement, receivable assignment, servicing, collection, recovery and closure.

Where a specific regulatory requirement applies only to a particular category of facility or borrower, the Company shall apply such requirement only to the relevant product or borrower category.

5. KEY COMMITMENTS

The Company shall:

1. Act fairly, reasonably and transparently in all dealings with customers;
2. Ensure that its products, documents and practices comply with applicable law;
3. Provide clear information on key features, pricing, charges, obligations and risks of its products;
4. Communicate important terms and conditions in writing and, where required, in a language understood by the borrower;
5. Not discriminate against customers on prohibited grounds;
6. Handle customer complaints promptly and fairly;
7. Avoid misleading advertisements, representations or promises;
8. Conduct recovery and enforcement actions only through lawful and fair means;
9. Protect customer information in accordance with applicable confidentiality, data protection and outsourcing requirements; and
10. Ensure that staff and authorised representatives are adequately trained to implement this Code.

6. LANGUAGE AND MODE OF COMMUNICATION

1. All communications to borrowers shall be made in English or in a language understood by the borrower, as applicable.
2. The Company shall provide material communications in writing, including through physical documents, email, registered mobile number, customer portal, digital platform or any other legally recognised mode.

7. APPLICATIONS FOR CREDIT FACILITIES AND PROCESSING

1. Application forms, onboarding documents or digital application journeys shall contain information relevant for the customer to understand the proposed facility.
2. The Company may require documents including KYC documents, constitutional documents, financial statements, bank statements, invoices, purchase orders, contracts, receivable ageing, GST records, debtor confirmations, security documents and any other information required for appraisal.
3. The Company shall acknowledge receipt of completed applications, physically or electronically, and may indicate the expected timeframe for processing.
4. The Company may reject an application if it does not meet the Company's credit, risk, legal, compliance or operational requirements. Rejection may be communicated to the applicant through appropriate channels.
5. The Company shall process applications in accordance with its Board-approved credit policy, KYC policy, risk management framework and applicable law.

8. CREDIT APPRAISAL, SANCTION AND TERMS AND CONDITIONS

1. All facilities shall be appraised in accordance with the Company's internal credit policy and risk-based assessment process.

2. The Company may assess, among other matters:

    - Customer profile and creditworthiness;
    - Nature and genuineness of receivables;
    - Debtor / buyer profile and payment track record;
    - Invoice validity and eligibility;
    - Dilution, dispute and set-off risk;
    - Repayment / collection history;
    - Financial position and cash flows;
    - Regulatory, legal and KYC compliance;
    - Security / collateral, if applicable; and
    - Any other relevant risk factor.

3. On approval, the Company shall issue a sanction letter, term sheet, facility agreement or other written communication setting out material terms, including, where applicable:
    - Sanctioned amount / facility limit;
    - Facility type and purpose;
    - Tenor / validity period;
    - Discounting rate / interest rate / factoring charges;
    - Method of computation and application of charges;
    - Processing fees and other charges;
    - Margin, holdback, haircut or reserve, if any;
    - Recourse or non-recourse nature of the facility;
    - Security / collateral / guarantee requirements;
    - Repayment, collection or realisation mechanism;
    - Events of default;
    - Penal charges;
    - Prepayment / foreclosure terms, if applicable;
    - Conditions precedent and conditions subsequent; and
    - Grievance redressal contact details.
4. The Company shall maintain the customer's acceptance of the terms and conditions in its records.
5. A copy of the executed facility agreement and material enclosures shall be provided to the borrower physically or electronically.

9. KEY FACTS STATEMENT AND DISCLOSURE OF CHARGES

1. The Company shall provide a Key Facts Statement to borrowers wherever required under applicable RBI directions, including for products and borrower categories to which KFS requirements apply.
2. The KFS, where applicable, shall be provided before execution of the facility agreement and shall contain key terms in a clear and simple format.
3. The Company shall disclose, as applicable:
    - Amount sanctioned / facility limit;
    - Tenor;
    - Annualised rate of interest / discounting rate;
    - Annual percentage rate, wherever applicable;
    - Processing fee;
    - Documentation charges;

- Platform / technology charges, if any;
- Penal charges;
- Prepayment / foreclosure charges, if any;
- Collection / service charges, if any;
- Third-party charges recovered from the customer, if any;
- Repayment / realisation schedule or collection mechanism; and
- Security and recourse obligations.

4. No fee or charge shall be recovered from the borrower unless it has been disclosed in the sanction letter, KFS where applicable, facility agreement or other agreed communication.

5. Changes in charges shall be prospective and shall be communicated to the customer in accordance with applicable law and contractual terms.

10. PENAL CHARGES

1. Any penalty for non-compliance with material terms and conditions of a facility shall be treated as penal charges and not as penal interest.
2. Penal charges shall not be added to the rate of interest or discounting rate charged on the facility.
3. Penal charges shall not be capitalised. No further interest shall be computed on penal charges.
4. The quantum of penal charges shall be reasonable and commensurate with the nature and extent of non-compliance.
5. Penal charges shall not be discriminatory within the same product or borrower category.
6. The reason and quantum of penal charges shall be disclosed in the facility agreement, sanction letter, KFS where applicable, and / or schedule of charges.
7. Whenever reminders are issued for non-compliance with material terms, the applicable penal charges may be communicated to the borrower.
8. Any instance of levy of penal charges and the reason for such levy shall be communicated to the borrower through appropriate channels.
9. The Company shall not introduce any additional component to the rate of interest merely as a substitute for penal charges.

11. DISBURSEMENT, FACTORING TRANSACTIONS AND CHANGES IN TERMS

1. Disbursement shall be made only after completion of applicable conditions precedent, documentation, KYC checks, verification and internal approvals.

2. Disbursement may be made to the borrower / assignor / seller or in such other manner as agreed under the facility documents and permitted by applicable law.

3. In factoring transactions, the Company may, as per the agreed structure:

   - Acquire or finance eligible receivables;
   - Make payment net of margin / haircut / discount / charges;
   - Collect receivables from debtors / buyers;
   - Adjust collections against outstanding dues; and
   - Release surplus, if any, in accordance with contractual terms.
4. The Company shall give notice of material changes in terms and conditions, including interest / discounting rate, charges, disbursement mechanism, repayment / collection schedule or security requirements.

5. Changes in interest, discounting rate and charges shall be effective prospectively unless otherwise permitted by law.

6. Any decision to recall, accelerate payment, suspend limits or stop further disbursements shall be taken in accordance with the facility documents and applicable law.

12. ASSIGNMENT OF RECEIVABLES AND DEALINGS WITH DEBTORS

1. The Company shall undertake assignment, discounting or financing of receivables in accordance with applicable law, contractual arrangements and internal policies.
2. Notices of assignment or intimation to debtors / buyers shall be issued wherever required by law, contract or transaction structure.
3. The Company shall not misrepresent the nature of its rights to debtors / buyers.
4. Communications with debtors / buyers shall be professional, factual and limited to matters relevant to the assigned / financed receivables.
5. Where a receivable is disputed, diluted, rejected or subject to set-off, the Company shall deal with the issue in accordance with the facility documents and applicable law.
6. The borrower shall be informed of obligations relating to invoice authenticity, delivery of goods / services, absence of disputes, prohibition on double financing and continuing disclosure of material changes.

7. The Company may register assignments or transactions with relevant statutory, or information utilities / registries wherever required or considered necessary.

13. RECOVERY, FOLLOW-UP AND ENFORCEMENT

1. The Company shall conduct recovery and follow-up activities in a fair, lawful and non-coercive manner.
2. The Company and its representatives shall not resort to undue harassment, intimidation, abusive language, threats, use of force, public humiliation or persistent disturbance at inappropriate hours.
3. Recovery representatives shall identify themselves and act within the authority granted by the Company.
4. The Company shall ensure that employees and outsourced recovery agencies, if any, are trained to deal with customers appropriately.
5. Recovery action, enforcement of security, invocation of guarantees, legal proceedings or other remedies shall be undertaken only in accordance with the facility documents and applicable law.
6. Before recall or acceleration of a facility, the Company shall provide notice as specified in the facility documents or, where no period is specified, a reasonable notice.
7. The Company shall maintain records of recovery actions and customer communications.
8. The company shall make the use of 1600 Series of calling numbers as per the TRAI and RBI guidelines.

14. RELEASE OF SECURITIES AND DOCUMENTS

1. The Company shall release securities, collateral and security documents after repayment / realisation of all dues, subject to any legitimate right of lien, set-off or continuing security interest available to the Company.
2. If the Company exercises a right of lien or set-off, the borrower shall be informed of the remaining claims and the conditions under which the Company is entitled to retain the security.
3. If original movable or immovable property documents are obtained in any facility, the Company shall release such documents and take necessary steps for satisfaction / release of registered charges within the timelines prescribed by applicable RBI directions and law.
4. In case of delay attributable to the Company in release of original property documents or satisfaction of charges, compensation shall be paid as required under applicable RBI directions.
5. If original property documents are lost or damaged while in the custody of the Company, the Company shall assist the borrower in obtaining duplicate / certified

copies and shall bear costs and compensation, as applicable under regulatory requirements.

15. INTEREST RATE AND PRICING TRANSPARENCY

1. The Board of Directors shall approve an interest rate / pricing policy for determining interest rates, discounting rates, factoring charges, processing fees and other charges.

2. Pricing shall be determined considering relevant factors, including cost of funds, operating cost, tenor, risk premium, borrower profile, debtor risk, receivable quality, security, market conditions, transaction structure and regulatory requirements.

3. The rate of interest / discounting rate and approach for gradation of risk shall be disclosed to borrowers in the application form, sanction letter, KFS where applicable, facility agreement or other agreed communication.

4. Interest, discounting charges and other charges shall be applied in a transparent manner and in accordance with the agreed terms.

5. The Company shall not adopt unfair practices in charging interest or discounting charges. In particular:

    - Charges shall not be levied from a date earlier than actual disbursement / funding, unless expressly permitted by the product structure and disclosed to the customer;
    - Where disbursement or repayment occurs during a month, charges shall be levied only for the period for which funds are actually outstanding or as contractually disclosed; and
    - No undisclosed charge shall be levied during the term of the facility.
6. Relevant information on interest rate range, charges and grievance redressal shall be displayed on the Company's website as applicable.

16. NON-DISCRIMINATION AND ACCESSIBILITY

1. The Company shall not discriminate against customers on the basis of gender, religion, caste, race, disability, physical ability or any other prohibited ground.
2. The Company shall not discriminate against visually impaired or physically challenged applicants in extending products, facilities or services, subject to credit appraisal, KYC, legal capacity and documentation requirements.
3. The Company shall provide reasonable assistance to differently abled customers for availing its services.

4. This clause shall not prevent the Company from participating in schemes designed for specific customer segments, MSMEs, priority sectors or other permitted categories.

17. GRIEVANCE REDRESSAL MECHANISM

1. The Company shall maintain a grievance redressal mechanism for receiving, registering, tracking and resolving customer complaints.
2. The Grievance Redressal Mechanism shall be displayed at the Company's office and hosted on the Company's website.

18. RESPONSIBILITY OF BOARD OF DIRECTORS

1. The Board of Directors shall approve this Code and oversee its implementation.
2. The mechanism shall ensure that disputes arising out of decisions of Company functionaries are heard and disposed of at least at the next higher level.
3. The Board, or a committee authorised by the Board, if any, shall periodically review:
    - Compliance with this Code;
    - Functioning of the grievance redressal mechanism;
    - Nature and status of customer complaints;
    - Recovery practices;
    - Conduct of outsourced agencies, if any; and
    - Changes required due to regulatory developments.

19. HOSTING ON WEBSITE

1. This Code shall be displayed at the Company's office and hosted on the Company's website.
2. The Code may be made available in English and in vernacular language(s), as applicable, for the information of stakeholders.

20. POLICY REVIEW AND REVISION POWERS

1. Annually, or earlier if required by the Board of Directors or due to any change in applicable law, RBI directions, business model or other regulatory directions.

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