

QGO Finance Limited
POLICY ON CO-LENDING



Version Control:

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1 Introduction

QGO Finance Limited ('QGO' or 'The Company') is classified as a Category 'B' Non-Banking Financial Institution by the Reserve Bank of India (RBI), allowing it to operate as a Non-Banking Financial Company without accepting public deposits. In line with the RBI's Scale-Based Master Directions, the company is categorized as a Base Layer NBFC (NBFC-BL). QGO is exploring opportunities to diversify its sourcing channels by adding Co-Lending (CL) partnerships. These partnerships will be established with other partners who have a proven track record across various products, customer segments, and locations, in compliance with QGO's standards. This Policy shall be read and implemented in accordance with the Reserve Bank of India (Co-Lending Arrangements) Directions, 2025. QGO shall, with immediate effect, align its operations with the said Directions. All new and existing Co-Lending Arrangements (CLAs) shall be promptly reviewed for conformity, and necessary amendments shall be carried out to ensure full compliance.

2 Definitions:

Co-Lending would arise to establish a framework for collaboration between the Parties in a co-lending arrangement to extend credit facilities to borrowers, thereby leveraging each Party's strengths, sharing risks, and expanding market reach. This arrangement can include not only NBFCs but also other entities who are eligible to participate in co-lending.

- i. **Co-Lender:** QGO Finance Limited (QGO) an NBFC registered under the laws of Reserve Bank of India (RBI) would be one of the Co-Lenders.
- ii. **CL Partner:** CL Partner would be any another entity.

3 The need For Co-Lending:

Co-Lending partnerships are essential in today's financial environment. These partnerships allow entities to combine their strengths, such as customer reach and expertise, to provide credit to underserved groups. By working together, the Companies can diversify their offerings, reduce risks, and operate more efficiently, all while promoting financial inclusion and meeting market demands.

4 Execution of Master Agreement

Both the entities shall enter into a master agreement for implementing the Co-lending model (CLM). QGO shall retain the discretion to take their share of the individual loans originated by the entities in their books as per the terms of the agreement, or to reject certain loans after its due diligence prior to taking in their books. Irrespective of the nature of the agreement the following features shall be common:

- a. Loan allocation and funding;
- b. Interest rate and flow of funds;
- c. Risk sharing and profit distribution;
- d. Compliance and regulatory requirements;
- e. Assignment of loans;
- f. Reporting and monitoring;

- g. Term and termination; and
- h. Dispute resolution.

Further as per the Master agreement following details will be provided by QGO to other entities for approval of co lending:

- a. Borrower Details;
- b. Location;
- c. Brief on Project;
- d. Date of sanction and current outstanding loan;
- e. Loan performance;
- f. Likely repayment dates;
- g. Documents with QGO;
- h. Maximum Loan Amount and Tenure;
- i. Rate of Interest;
- j. Creation of Charge on Primary and Collateral Securities; and
- k. Any Other relevant documents required.

QGO and the Co-Lending Partner will ensure that the information required under the RBI Key Facts Statement (KFS) guidelines is provided to the borrower at the time of sanction and disbursement. The KFS shall include—inter alia—the blended interest rate, APR, parties' shares, fee breakup, product features, timeframe for transfer to partner RE, and details of grievance redressal.

5 Eligibility Criteria for the Partner:

The CL partner shall be identified by the Co-lender based on their risk appetite differing from project to project.

6 Engagement Model with Co-lender under Co-Lending Model

The Company may on the basis of discussion with eligible partner/Co-Lender enter into co-lending arrangement under the following Co-Lending Model:

Co-Lending Model:

Parallel underwriting by both the partner entity and the Company shall be done. Post credit approval of the loan by both the lenders, the loan shall be disbursed in the books of both the lenders as per the pre-agreed ratio. Sourcing of the loans will be done by the Company basis a pre-defined framework which shall be pre agreed with the Partner entity.

The Co-lending arrangement shall comply with the extant guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by the Company as issued by RBI from time to time. In particular, the Company and the partner entity shall put in place suitable mechanisms for ex-ante due diligence by the Company as the credit sanction process cannot be outsourced under the extant guidelines.

7 Partner entity Onboarding and Documentation

a. **Internal Approval on Partner Entity:**

The Company, before entering into a Co-Lending Arrangement (CLA) with any entity should obtain necessary internal approvals. A detailed approval note on the Co-lending arrangement with the entity shall be prepared which shall outline the profile of the entity, financial products envisaged in the CLA and the operational aspects of the CLA such as sanctioning process, roles and responsibilities of the partner entity, terms & conditions of the arrangement, risk sharing, security aspects, the risks, etc.

The note shall be approved by the Credit Committee of QGO consisting of Managing Director (MD), Chief Financial Officer (CFO) and the Chief Operating Officer (COO). Quorum for the meeting shall any two of the MD, CFO and COO.

Further the Company shall share the Co-lending Policy framework with each of the partner entity which should cover various parameters including Min/Max Loan Amount, Tenor, Norms, LTV/FOIR as applicable etc. within the Company's policy guidelines and the same shall be jointly approved by the respective CL Partner. Customer selection criteria shall be mutually agreed with the partner entity.

b. **Ratio of Co-Lending:**

The Ratio of co-lending in Non-Priority Sector with respect to the share of the individual loans on the books of the Company and the Partner entity (identified for entering into co-lending arrangement as per above clauses) for lending to non-priority sector shall be decided jointly by the Credit Committee. However, the total value of the co-lending should not less than 10 % of the total loan book.

c. **Legal Documentation:**

The following one or more legal documents shall be executed basis the advice of QGO's legal team for the CLA transactions:

1. Master agreement; and
2. ESCROW agreement (Escrow will be needed for disbursement and/or repayments or collections, both in order to avoid inter-mingling of funds)

The above-mentioned list is indicative in nature and approval on all the documents will be taken from internal legal team of the Company

8 Regulatory Compliances:

- a. **Know Your Customer (KYC):** The entity shall comply with the Master Directions – Know Your Customer (KYC) Directions 2016 issued vide RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14/.01.001/2015-16 dated 25.02.2016 and updated from time to time, which already permit regulated entities at their option to rely on customer due diligence done by third party, subject to specified conditions.
- b. **Asset Classification and Provisioning Requirement:** Each lender shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the lender classifies its exposure to a borrower under CLA as Special Mention Accounts/ Non-Performing Assets (SMA/NPA) on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other lender to the borrower under CLA. Both Lenders shall establish and

maintain a robust mechanism for the exchange of relevant credit and default-related information on a near real-time basis, and in any event, such information shall be shared no later than the close of business on the next working day.

- c. **Reporting to CIC:** QGO will report to Credit Information Companies (CICs) for its share of each loan under a CLA in accordance with applicable law. The partner RE shall separately report its own share. Further, QGO and the partner RE shall implement near-real time mechanisms for information sharing so that borrower-level asset classification changes (SMA / NPA) are reflected across both REs as required.
- d. **Transfer or Assignment of Loans:** Any subsequent transfer or assignment of loan exposures originated under the CLA to third parties, or any inter-se transfer of such exposures between the lenders, shall be undertaken strictly in accordance with the provisions of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (MD-TLE), as amended from time to time. Such transfer or assignment to a third party shall be effected only with the mutual consent of both the lenders.
- e. **Transfer and Recording of Loan Exposure:** The CLA shall constitute an irrevocable commitment by the partner Regulated Entity to record, on a back-to-back basis, its agreed share of each loan originated by the originating RE. The respective exposures of both REs shall be reflected in their books without delay, and in any case, within fifteen (15) calendar days from the date of disbursement by the originating RE. The originating RE shall transfer the exposure only to the partner RE, as per the executed agreement and the Key Fact Statement (KFS) issued at the time of loan sanction. If the transfer is not effected within fifteen (15) days for any reason, such exposure shall remain on the books of the originating RE and may thereafter be transferred only in accordance with the MD-TLE, as amended from time to time.

9 Roles and Responsibilities:

a. Loan Sanction under the Co-lending Approach

The Company shall be the single point of interface for the borrower and the loan agreement to be entered into with the borrower, shall clearly contain the features of the arrangement and the roles and responsibilities of both lenders. All the details of the arrangement shall be disclosed to the borrower upfront and any modification in the borrower interface mechanism shall be effected only after providing prior intimation to the borrower. All the documents as per the Company's internal guidelines for respective Loans shall be collected.

b. Interest Rate to the borrower

The borrower will be offered a single blended interest rate (weighted by funding share) and any fees/charges payable by the borrower (other than the blended rate) shall be included in the computation of the Annual Percentage Rate (APR). All such information—blended rate, APR, fee breakup, and segregation of roles/responsibilities of REs—shall be disclosed to the borrower upfront in the Key Facts Statement (KFS) as required under RBI guidance. Any change in the component rates of participating Regulated Entities (REs) shall be reflected in the updated blended rate and communicated to the borrower.

c. Default Loss Guarantee

The Originating Regulated Entity (RE) may extend a Default Loss Guarantee (DLG) of up to five per cent of the loans outstanding in respect of exposures originated under the CLA. The provision, structure, and operation of such DLG shall be governed, mutatis mutandis, by the applicable provisions of the Reserve Bank of India (Digital Lending) Directions, 2025 (MD-DLD), as amended from time to time.

d. Loan Servicing under the co-lending Model

The Company and the Partner entity shall maintain each individual customer's account for their respective Share. However, all transactions disbursements/repayments between the Company and the Partner entity relating to CLA shall be routed through an escrow account, in order to avoid inter-mingling of funds. The Partner entity shall generate a single unified statement of the customer, through appropriate information sharing with the Company. The manner of appropriation between the co-lenders shall be agreed upon and captured in the Agreement entered into between the co-lending partners. All disbursements and repayments between the REs and with the borrower shall be routed through an escrow account maintained with a scheduled bank (which may be one of the REs). The Master Agreement shall clearly specify the manner of appropriation between QGO and the partner RE, and the operational workflow to be followed for reconciliations and settlements.

e. Grievance Redressal Mechanism

The Partner entity shall explain to the end customer regarding the difference between products offered through the co-lending model as compared to its own products. The Company while entering into agreement with the Partner entity shall include suitable clauses pertaining to resolving customer complaints by Partner entity in accordance with applicable RBI Guidelines. Partner entity/QGO shall be primarily responsible for providing the required resolution. Suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a customer with the Originator within 30 days, failing which the customer would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

f. Reporting of the Loans

The Company shall follow its reporting requirements including reporting to Credit Information Companies, under applicable law and regulations for its share of loan account.

10 Customer Onboarding and Monitoring

a. Customer Onboarding

1. Due diligence (both KYC and credit checks) be conducted as per due process. The Company shall also comply with the Master Directions-Know Your Customer (KYC) Directions 2016 and updated from time to time, which already permits regulated entities, at their option, to rely on customer due diligence done by a third-party subject to specified conditions.
2. Single Obligor-exposure would be agreed with each Partner entity.
3. In case of Secured Loans Valuation - Method of valuation of the underlying assets (Primary/Collateral) would be done as per specific Co-lending framework agreed with the Company and as per the regulatory framework defined by regulator from time to time.

4. Security and Charge Creation - The Company shall arrange for creation of security and charge, as mutually agreed upon with the Partner entity.
 5. Origination of Non-PSL assets through Co-lending - The Company can originate Non- PSL assets through the Co-lending Model, by adhering to all the clauses mentioned in this policy.
- b. Risk Management
The Company will monitor the performance of the portfolio on a periodic basis (daily/weekly/monthly etc.).
 - c. Periodic Update
Portfolio update shall be shared along with the Portfolio Review for respective products.

11 Other Points Applicable

a. Provisioning of the loans

Asset classification and provisioning shall be applied at the borrower level for each RE's exposure. If either RE classifies its exposure to a borrower under CLA as SMA / NPA, the same classification shall be applied to the exposure of the other RE. QGO will maintain mechanisms for near-real time information exchange (and in any case no later than end of next working day) with the partner RE to ensure consistent classification and provisioning.

b. Loan Limit

Any change in CLM loan limit being offered under CLM arrangements will be done only with the mutual consent of both the lenders.

c. Business Continuity Plan

QGO and the partner RE shall maintain business continuity arrangements to ensure uninterrupted borrower servicing until full repayment of CLA loans in the event of termination of the arrangement. The BCP (Business Continuity Plan) shall be tested periodically and documented in the Master Agreement.

d. Internal/Statutory Audit

The loans under the CLA shall be included in the scope of internal/statutory audit in each RE to ensure adherence to their respective internal guidelines, terms of the agreement and applicable regulatory requirements.

e. Assignment of the Loan

Any assignment of loan by the Originator to a third party can be done only with the prior written consent of the Company in respect of loan sourced under co-lending.

f. Disclosure & Reporting

The Company shall make appropriate disclosures in the financial statements / results as per applicable RBI guidelines. QGO will prominently publish on its website a list of all active CLA partners and update the same on a quarterly basis. Further, QGO shall make appropriate disclosures in the Notes to Accounts to the financial statements on an aggregate basis, including: quantum of CLAs, weighted average interest rate on CLA portfolio, fees charged/paid, broad sectors financed under CLA, performance of CLA

loans, and details of any Default Loss Guarantee. Disclosures shall be made on a quarterly/annual basis as applicable.

g. Priority Sector Co-Lending

If the loans pertain to priority sector and the CLA is between the Company and other RE, then RBI's direction on Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 dated March 24, 2025 and Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 dated August 06, 2025 as amended from time to time, shall become applicable.

h. Review of the Co-lending Policy

The policy shall be at least reviewed annually for scope and content so that it remains aligned to the changes in the regulatory requirements, business conditions and the Company's own business strategy & risk appetite. In case of any amendment(s) and/or clarifications to the regulatory provisions, the policy shall stand amended accordingly from effective date specified as per the Regulatory Provisions. The board approved Co-Lending Policy will be placed on Company website as well.

i. Review /Revision Clause

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.