



CORPORATE GOVERNANCE CODE
OF
UJJIVAN FINANCIAL SERVICES LIMITED

Updated as on November 02, 2017

A. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Financial Services Limited ('the Company' / Ujjivan) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

In pursuing its Mission of "providing a full range of financial services to the economically active poor, to build a better life", Ujjivan has been balancing its dual objectives of "social" and "financial goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and investors.

B. RBI GUIDELINES ON CORPORATE GOVERNANCE

The Company is a registered Non-Deposit taking Systemically Important Non-Banking Financial Company – Core Investment Company ("NBFC-ND-SI-CIC") and has received a new Certificate of Registration dated October 10, 2017 from the Reserve Bank of India.

In order to enable all NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its notification dated April 10, 2015 has issued the directions relating to corporate governance. Further, the RBI summarized the corporate governance requirements in its Master Circular dated July 01, 2015. RBI has exempted the applicability of the Master Circular on Corporate Governance to a Systemically Important Core Investment Company as defined in the Core Investment Companies (Reserve Bank) Directions, 2011. However, the Company has always believed in following the best Corporate Governance practices and even though exempted by the RBI, will continue to follow the already adopted practices.

Further, the Company being a NBFC-ND-SI-CIC will be guided by the RBI Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 (hereinafter referred to as "Master Directions") and the compliances and directives mentioned therein.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention. This is also in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations).

C. NBFC-CIC MAJOR COMPLIANCES AND GOVERNANCE REQUIREMENTS

(1) **The major compliances which the Company as a NBFC-CIC needs to comply on a continuous basis are as under:**

Sr. No.	Particulars	Compliance Status
1.	The Company holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;	Yes
2.	The Company's investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitute not less than 60% of its net assets	Yes

Sr. No.	Particulars	Compliance Status
3.	The does not carry on any other financial activity referred to in Section 45I(c) and 45I (f) of the Reserve Bank of India Act, 1934 except- (a) investment in (i) bank deposits, (ii) money market instruments, including money market mutual funds and liquid mutual funds (iii) government securities, and (iv) bonds or debentures issued by group companies; (b) granting of loans to group companies; and (c) issuing guarantees on behalf of group companies.	Yes
4.	Adjusted Net Worth of the Company shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.	Yes
5.	The outside liabilities of the Company shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.	Yes
6.	The Company should file a quarterly statement on change of directors certified by the auditors and a certificate from the Managing Director that fit and proper criteria in selection of directors have been followed. Auditor's certificate is required only for the March quarter filing.	Yes
7.	The Company is required to submit an annual certificate from its statutory auditors regarding compliance with the requirements of RBI extant CIC Master Directions within a period of one month from the date of finalisation of the balance-sheet of the Company	Noted for compliance
8.	The Company need to submit the statutory auditors Statement of Foreign Direct Investments of the Company twice on a half yearly basis	Yes

(2) Governance Issues

The Company shall require prior written permission of the Bank for the following:

- a) any takeover or acquisition of control of the Company, which may or may not result in change of management;
- b) any change in the shareholding of the Company, including progressive increases over time, which results in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the CIC.

Provided that prior approval from the RBI shall not be required in case of change in shareholding going beyond 26% due to buyback of shares / reduction in capital where it has an approval of a competent Court. The same is to be reported to the RBI not later than one month from its occurrence;

- c) any change in the management of the CIC which results in change in more than 30 per cent of the directors, excluding independent directors.

Provided that, prior approval shall not be required in case of directors who get re-elected on retirement by rotation.

- The Company shall continue to inform the Bank regarding any change in their directors / management not later than one month from the occurrence of any change.

- The Company shall submit an application to the Regional Office of the DNBS, RBI, Bangalore for obtaining prior approval of the RBI along with the documents as mentioned in the master directions.

(ii) Applications in this regard shall be submitted to the Regional Office of the Department of Non-Banking Supervision, Bangalore in whose jurisdiction the Registered Office of the CIC is located.

Raising Money through Private Placement of Debentures etc. by CIC-ND-Sis

The Company shall follow the RBI guidelines on private placement of Non-Convertible Debentures (NCDs) for compliance. It may be noted that the provisions of Companies Act, 2013 and Rules issued there under shall be applicable wherever not contradictory.

Ratings

The Company can also issue financial products like Commercial Paper, Debentures etc. to which rating is assigned by rating agencies. The ratings assigned to such products may undergo changes for various reasons ascribed to by the rating agencies. The Company shall furnish the information about downgrading / upgrading of its rating of any financial product, within fifteen days of such a change in rating, to the Bangalore Regional Office, RBI.

D. BOARD OF DIRECTORS AND LIMIT ON DIRECTORSHIPS AND COMMITTEE MEMBERSHIPS

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of three directors and a maximum of fifteen directors. The Board shall meet a minimum of four (4) times in a year, at least once in each quarter [in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board].

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board of Directors of the company shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the Board of Directors comprising non-executive directors. Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case the company does not have a regular non-executive Chairman, at least half of the Board should comprise independent directors. Provided that where the regular non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

A director shall not be a member in more than ten committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore, every director shall inform the company about the committee positions he occupies in other companies and notify changes as and when they take place. For the purpose of considering the limit of the committees on which a director can serve, all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded. For the purpose of reckoning the limit under this sub-clause, Chairmanship / membership of the Audit Committee and the Stakeholders' Relationship Committee alone shall be considered.

A person shall not serve as an independent director in more than seven listed entities. Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The current Board of Ujjivan comprises of 7 (Seven) directors, including 3 (Three) independent directors, 1 (one) Executive Managing Director and 3 (Three) Non-Executive Non-Independent directors. The Chairman of the Board is an Independent Director.

E. SUBSIDIARY COMPANY

At least one independent director on the Board of Directors of the company shall be a director on the Board of Directors of a material non-listed Indian subsidiary company. The term “material non-listed Indian subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the company. The management should periodically bring to the attention of the Board of the company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company. The Audit Committee shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

F. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

- (1) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (2) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (3) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (5) A director of a company shall not assign his office and any assignment so made shall be void.

G. MINIMUM INFORMATION TO BE PLACED BEFORE THE BOARD

- (1) Annual operating plans and budgets and any updates.
- (2) Capital budgets and any updates.
- (3) Quarterly results for the listed entity and its operating divisions or business segments.
- (4) Minutes of meetings of audit committee and other committees of the board of directors.
- (5) The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- (6) Show cause, demand, prosecution notices and penalty notices, which are materially important.
- (7) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- (8) Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity.
- (9) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity.

- (10) Details of any joint venture or collaboration agreement.
- (11) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- (12) Significant HR matters and proposed interventions and suggestions. Overall Remuneration policy / philosophy and significant changes and initiatives therein during the year.
- (13) Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- (14) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- (15) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- (16) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- (17) Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

H. CODE OF CONDUCT

The Company has a code of conduct for all Board members and senior management of the company. The code of conduct has already been posted on the website of the company. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the CEO/CFO.

I. CEO/CFO CERTIFICATION

The MD & CEO and the CFO shall make the necessary certifications regarding the Financial Statements, internal controls, etc. to the Board as required under the SEBI Regulations.

J. COMPLIANCE OFFICER

The Company Secretary shall be the Compliance Officer of the Company.

K. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, the Companies Act, 2013 and SEBI LODR Regulations requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee.

In compliance with the applicable provisions of the Act and SEBI regulations, the Company has constituted its Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Ujjivan complies with the above requirements of committee constitution and have the following committees of the Board:

A pictorial representation of Board Committees of Ujjivan is given below:



Approved Composition of all the Board Committees of the Company (updated as on November 02, 2017)

Sr. No.	Committee	Current Members
1.	Audit Committee	1. Mr. K.R. Ramamoorthy – Chairman 2. Mr. Abhijit Sen 3. Mr. Venkatesh Natarajan <i>MD & CEO to be the invitee</i>
2.	Nomination and Remuneration Committee	1. Mr. Abhijit Sen – Chairman 2. Mr. K. R. Ramamoorthy 3. Mr. Amit Gupta
3.	Stakeholders Relationship Committee	1. Mr. K.R. Ramamoorthy - Chairman 2. Ms. Vandana Viswanathan 3. Ms. Sudha Suresh
4.	CSR Committee	1. Ms. Sudha Suresh 2. Ms. Vandana Viswanathan 3. Mr. Venkatesh Natarajan

1. AUDIT COMMITTEE

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and RBI guidelines on Corporate Governance.

Chairman	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
Composition	The Audit Committee shall consist of a minimum of three directors with not less than 2/3 rd members being independent directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management

	<p>expertise.</p> <p>The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two Independent members present.</p>
Terms of reference	<p>The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include</p> <ol style="list-style-type: none"> (1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; (2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity; (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors; (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to: <ol style="list-style-type: none"> a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013; b) changes, if any, in accounting policies and practices and reasons for the same; c) major accounting entries involving estimates based on the exercise of judgment by management; d) significant adjustments made in the financial statements arising out of audit findings; e) compliance with listing and other legal requirements relating to financial statements; f) disclosure of any related party transactions; g) modified opinion(s) in the draft audit report; (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval; (6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights

	<p>issue, and making appropriate recommendations to the board to take up steps in this matter;</p> <ol style="list-style-type: none"> (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process; (8) approval or any subsequent modification of transactions of the listed entity with related parties; (9) scrutiny of inter-corporate loans and investments; (10) valuation of undertakings or assets of the listed entity, wherever it is necessary; (11) evaluation of internal financial controls and risk management systems; (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems; (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit; (14) discussion with internal auditors of any significant findings and follow up there on; (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board; (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern; (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors; (18) to review the functioning of the whistle blower mechanism; (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate; (20) The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company. (21) Carrying out any other function as is mentioned in the terms of reference of the audit committee. <p>The audit committee shall mandatorily review the following information:</p> <ol style="list-style-type: none"> (1) management discussion and analysis of financial condition and results of operations; (2) statement of significant related party transactions (as defined by the audit committee), submitted by management; (3) management letters / letters of internal control weaknesses issued by the statutory auditors; (4) internal audit reports relating to internal control weaknesses; and (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee. (6) statement of deviations: <ol style="list-style-type: none"> (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (LODR) Regulations, 2015.
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	(b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI (LODR) Regulations, 2015.
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2. GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE (NOMINATION COMMITTEE)

The Company has in place the Governance, Nomination and Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and the rules made there under and in compliance with RBI guidelines on Corporate Governance.

Chairman	<ul style="list-style-type: none"> i. Chairman of the Committee shall be an Independent Director. ii. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ul style="list-style-type: none"> i. The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent. ii. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<ul style="list-style-type: none"> i. The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company. ii. The quorum shall be at least two Directors. iii. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.
Terms of reference	<ol style="list-style-type: none"> 1) To formulate a criteria for determining qualifications, positive attributes and independence of a Director. 2) To ensure 'fit and proper' status of proposed/ existing Directors 3) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal. 4) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors. 5) To recommend to the Board the appointment and removal of Senior Management 6) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance. 7) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive. 8) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time

	<p>including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;</p> <p>9) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,</p> <p>10) To devise a policy on Board diversity;</p> <p>11) To develop a succession plan for the Board and to regularly review the plan;</p> <p>12) To also act as the ESOP committee for the purposes of SEBI (Share Based Employee Benefits) Regulations 2014 and administer and manage the ESOP Schemes</p>
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3. STAKEHODLERS RELATIONSHIP COMMITTEE

The Board has constituted a new committee of the Board by the name of “Stakeholders Relationship Committee” for the purpose of addressing the stakeholders’ related matters, grievances and allotment of shares pursuant to the exercise of vested options.

Composition	The Committee shall consist of three or more directors.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet once as and when required The quorum shall be at least two Directors.
Terms of reference	<ol style="list-style-type: none"> 1. To approve/refuse/reject registration of transfer/transmission of Shares in a timely manner; 2. To authorise the issue, printing, signing of Share Certificates and Common Seal thereon post authorization from the Board of Directors of the Company, issue of Duplicate Share Certificates and Share Certificates after Split / Consolidation / Rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized ; 3. To authorise to sign and endorse the Share Transfers on behalf of the Company; 4. Allotment of shares to the employees or ex-employees on exercise of stock options granted and vested under the various Employees Stock Option Schemes 5. To monitor redressal of stakeholder’s complaints/grievances including relating to non-receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. 6. To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services. 7. To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Company and as assigned

	by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements with the Stock Exchanges and guidelines issued by the SEBI or any other regulatory authority.
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4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Company and monitor economic and social impact on customer.

Composition	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet once as and when required The quorum shall be at least two Directors.
Terms of reference	<ul style="list-style-type: none"> i. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board; ii. To recommend the amount of expenditure to be incurred on the activities; iii. To Monitor the Corporate Social Responsibility Policy of the company from time to time; and iv. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.