



CORPORATE GOVERNANCE CODE
OF
UJJIVAN FINANCIAL SERVICES LIMITED

Updated as on February 01, 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

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance. The Code has been drafted bearing in mind the size of the Company's operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs, as last summarized by RBI in its Master Circular dated July 1, 2015.

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. BOARD OF DIRECTORS

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 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 directors. The Chairman of the Board is an Independent Director.

D. 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.

E. 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.

F. 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.

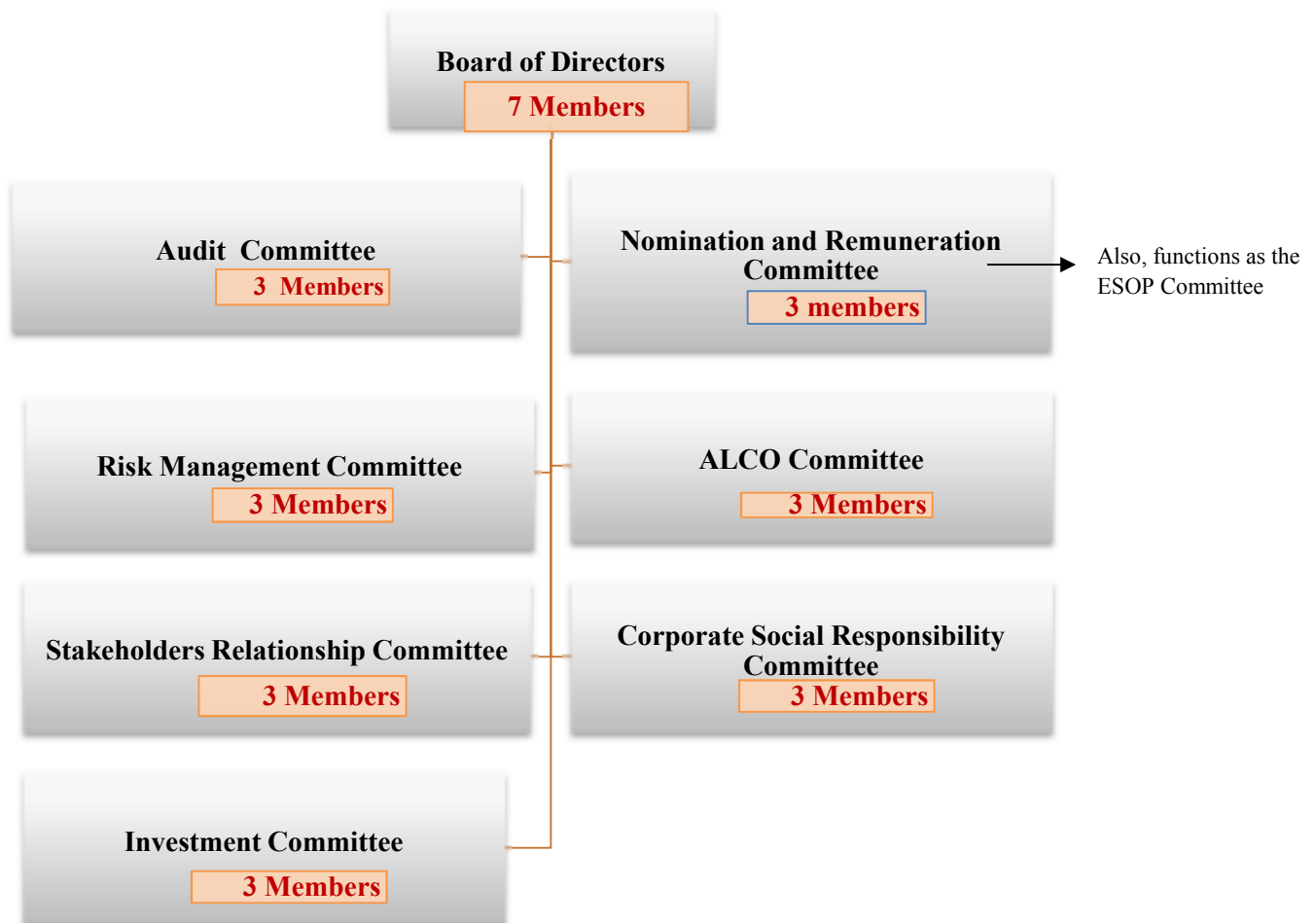
While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, the Companies Act, 2013 and SEBI

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, RBI guidelines on Corporate Governance and in order to meet business exigencies, 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

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
5.	Investment Committee	1. Mr. K.R. Ramamoorthy 2. Mr. Abhijit Sen 3. Ms. Sudha Suresh
6.	Risk Management Committee	1. Mr. K.R. Ramamoorthy - Chairman 2. Mr. Abhijit Sen 3. Mr. Venkatesh Natarajan 4. Ms. Sudha Suresh
7.	Asset Liability Management Committee	1. Mr. K.R. Ramamoorthy 2. Mr. Abhijit Sen 3. Mr. Venkatesh Natarajan 4. Ms. Sudha Suresh

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	<p>The Audit Committee shall consist of a minimum of three directors with not less than 2/3rd members being independent directors.</p> <p>All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management 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</p>

	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.
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 issue, and making appropriate recommendations to the board to take up steps in this matter; (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.

The audit committee shall mandatorily review the following information:

- (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:
 - (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.
 - (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.

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	<ul 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 including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision

	<p>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. STAKEHOLDERS 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.

5. INVESTMENT COMMITTEE

The Company has constituted the Investment Committee of the Board effective from February 01, 2017.

Composition	The Committee shall consist of such number of members as may be determined by the Board.
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 necessary to decide on the investment of the funds of the Company
Terms of reference	<ul style="list-style-type: none"> i. to decide on the investment of the funds of the Company in Subsidiaries or otherwise

6. RISK MANAGEMENT COMMITTEE

The Company has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance for the purpose of monitoring the risk and to make suitable strategies to control it.

Composition	The Committee shall consist of such number of members as may be determined by the Board.
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 necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
Terms of reference	<ul style="list-style-type: none"> i. To monitor and review the risk management plan; ii. To review operational risk (including sub risk for operational risk), information technology risk and integrity risk; iii. To take strategic actions to mitigate the risk associated with the nature of the business; iv. To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy; v. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and vi. To lay down procedure to inform Board members about the risk assessment and minimization procedures.

7. ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO COMMITTEE)

The Company has in place the ALCO Committee in accordance with RBI guidelines. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.

Composition	The Committee shall consist of such number of members as may be determined by the Board.
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 necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
Terms of reference	<ul style="list-style-type: none"> i. Addressing concerns regarding asset liability mismatches; ii. Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity; iii. Addressing concerns regarding interest rate risk exposure; 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.