

Annexure-3

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2022

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560095, Karnataka.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN SMALL FINANCE BANK LIMITED** having **CIN: L65110KA2016PLC142162** (hereinafter called the "**Bank/ Company**"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts, statutory compliances and expressing my opinion thereon.

Based on my verification of the Bank's Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Bank and also the information provided by the Bank, its Officers, Agents and Authorized Representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Bank has, during the Audit Period covering the Financial Year ended on 31st March, 2022 complied with the statutory provisions listed hereunder and also that the Bank has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Bank for the Financial Year ended on 31st March, 2022 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
 - (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; (was not applicable to the Bank during the period under review)
 - (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (f) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

and The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; (was not applicable to the Bank during the period under review)

- (i) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 2018; (was not applicable to the Bank during the period under review) and
 - (j) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013; (was not applicable to the Bank during the period under review).
- (vi) Following laws, Norms and Directions as applicable specifically to Small Finance Banks in the Private Sector (SFB):
- (a) The Reserve Bank of India Act, 1934;
 - (b) The Banking Regulation Act, 1949 and notifications and circulars issued by the Reserve Bank of India from time to time;
 - (c) The Guidelines for Licensing of Small Finance Banks in the Private Sector;
 - (d) Operating Guidelines for Small Finance Banks;
 - (e) The Payment and Settlement Systems Act, 2007;
 - (f) Deposit Insurance and Credit Guarantee Corporation Act, 1961;
 - (g) Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions) Rules, 2005; and
 - (h) Negotiable Instruments Act, 1881.

I have also examined compliance with the applicable clauses of the following:

- (i) The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Limited; and
- (ii) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

During the period under review the Bank has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above and labour laws subject to the following observation:

1. There was a delay in giving five days prior intimation to National Stock Exchange of India Limited (NSE) during May, 2021 about the meeting of the board of directors in which Quarterly and Annual Financial Results proposed to be considered by the Bank and violated Regulation 29(2) of The Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and NSE had imposed a fine of ₹10,000/- which was duly paid by the Bank.

I further report that:

Based on the information provided by the Bank, its officers and authorized representatives, during the conduct of the audit and also on the review of the Details, Records, Documents and Papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Bank to monitor and to ensure compliance with applicable general laws like Labour Laws, Competition Law and Environmental Law including the filing of returns with the Reserve Bank India.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same are subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors including Women Directors based on the approval from the Reserve Bank of India, wherever applicable.

The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Rules made there under, Banking Regulation Act 1949, the Guidelines for Licensing of Small Finance Banks in the Private Sector and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Adequate notices were given to all directors to schedule the Board Meetings, Agenda and detailed Notes on Agenda were sent at least seven days in advance and Independent Director was present wherein the Board meetings were held at a shorter notice to transact urgent matters and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried out with requisite majority and the dissenting members' views are captured and recorded as part of the minutes.

There were adequate systems and processes in the Bank which is commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The Bank has entered into all related party transactions on arm's length basis with its related parties and the Bank has obtained necessary approvals from the Audit Committee and Board of Directors.

2. The Bank has obtained approval of the Board of Directors and Shareholders to raise up to ₹600 crore by issue of Equity Shares to Qualified Institutional Buyers through a Qualified Institutions Placement ("QIP") for the purpose of meeting the regulatory requirements of minimum public shareholding as per the provisions of the Securities Contracts (Regulation) Rules, 1957.
3. The Board has approved the proposed Scheme of Amalgamation of Ujjivan Financial Services Limited (CIN: L65999KA2004PLC035329), ("the Holding Company/Transferor Company") into and with the Company ("Bank"/"Transferee Company"). However, SEBI has advised the Bank to achieve minimum public shareholding (MPS) of 25% within 3 (three) years of its listing i.e. by December 11, 2022 before filing scheme related documents with the stock exchanges and the Bank is in process to achieve this MPS compliance through the proposed QIP.
4. The Reserve Bank of India (RBI) had issued Guidelines for appointment of Auditors, as per the Guidelines,

the Bank was required to appoint/re-appoint joint Auditors for the financial year 2021-22 and accordingly, M/s. MSKA & Associates, Chartered Accountants (FRN: 105047W) were ineligible to continue as Statutory Auditors of the Bank for the Financial Year 2021-22 and hence subject to approval of RBI on annual basis, M/s. Mukund M Chitale & Co., Chartered Accountants (FRN 106655W) and M/s. B. K. Ramadhyani & Co. LLP, Chartered Accountants (FRN 002878S/ S200021), were appointed as the Joint Statutory Auditors of the Bank for the period of 3 (Three) consecutive financial years from 2021-22 to 2023-24 in the Annual General Meeting held on 27th September, 2021 and further RBI has approved the above appointment for the financial year 2021-22 on annual basis and the Bank has complied with the requirement as stated in SEBI Circular CIR/CFD/CMD1/114/2019 dated October 18, 2019.

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Date: 12/05/2022

Place: Bengaluru

K. Jayachandran

Company Secretary

ACNo.:11309/CPNo.:4031

UDIN:A011309D000306549

Peer Review No: 784/2020

ANNEXURE-A

To,
The Members,
UJJIVAN SMALL FINANCE BANK LIMITED
CIN: L65110KA2016PLC142162
Grape Garden, No. 27, 3rd "A" Cross, 18th Main,
6th Block, Koramangala, Bengaluru – 560095, Karnataka.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Date: 12/05/2022

Place: Bengaluru

K. Jayachandran
Company Secretary
ACSNo.:11309/CPNo.:4031
UDIN:A011309D000306549
Peer Review No: 784/2020