

# Directors' Report

Dear Members,

Directors of your Company take great pleasure in presenting the 19th Annual Report on the business and operations of your Company and the Audited Financial Statements for the financial year ended March 31, 2020.

## FINANCIAL RESULTS:

Pursuant to the notification dated February 16, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 w.e.f. April 1, 2016. The performance of the Company for the FY2019-20 is summarised below:

Particulars	(₹ in Million)			
	Consolidated		Standalone	
	FY2019-20	FY2018-19	FY2019-20	FY2018-19
<b>Total Income</b>	<b>41,074.57</b>	38,301.64	<b>9,707.12</b>	8,300.29
Profit Before Interest and Depreciation	<b>6,377.31</b>	5,393.54	<b>2,982.53</b>	2,487.37
Interest and Finance Charges (net)	<b>583.21</b>	290.00	<b>156.77</b>	15.45
Depreciation/ Amortization	<b>1,852.00</b>	744.35	<b>705.84</b>	243.19
<b>Profit Before Tax</b>	<b>3,942.10</b>	4,359.19	<b>2,119.92</b>	2,228.73
Share in net (loss) of associate	<b>0.01</b>	(0.01)	-	-
Profit from ordinary activities before tax and after share in net loss	<b>3,942.11</b>	4,359.18	<b>2,119.92</b>	2,228.73
Provision for Taxation (including Deferred Tax Charge/ Credit)	<b>545.26</b>	581.41	<b>299.77</b>	238.52
<b>Net Profit After Tax</b>	<b>3,396.85</b>	3,777.77	<b>1,820.15</b>	1,990.21
<b>Profit attributable to:</b>				
Owners of the Company	<b>3,396.86</b>	3,777.86	<b>1,820.15</b>	1,990.21
Non-controlling Interest	<b>(0.01)</b>	(0.09)	-	-
<b>Total</b>	<b>3,396.85</b>	3,777.77	<b>1,820.15</b>	1,990.21
Balance in Profit & Loss Account	<b>13,004.03</b>	10,493.72	<b>14,170.47</b>	13,447.81
Closing Balance in Profit & Loss Account	<b>12,076.46</b>	13,004.03	<b>11,886.49</b>	14,170.47
Earning Per Share (₹) – Basic	<b>4.90</b>	5.48	<b>2.63</b>	2.89
Earning Per Share (₹) – Diluted	<b>4.89</b>	5.45	<b>2.62</b>	2.87

## RESULT OF OPERATIONS:

The consolidated total income increased from ₹ 38,301.64 Million to ₹ 41,074.57 Million, an increase of 7.24% over the previous financial year. The consolidated Net Profit After Tax decreased from ₹ 3,777.77 Million to ₹ 3,396.85 Million, a decrease of 10.08% over the previous financial year. The detailed analysis of the consolidated results form as part of the Management Discussion and Analysis Report provided separately as part of the Annual Report.

The standalone total income increased from ₹ 8,300.29 Million to ₹ 9,707.12 Million, an increase of 16.95% over the previous financial year. The standalone Profit After Tax decreased from ₹ 1,990.21 Million to ₹ 1,820.15 Million, a decrease of 8.54% over the previous financial year.

## INCREASE IN SHARE CAPITAL:

During the year, your Company issued/ allotted 2,761,750 equity shares of the face value of ₹ 10/- each on the exercise of stock options under Firstsource Solutions Employee Stock Option Scheme 2003 (ESOS 2003). Consequently, the outstanding, issued, subscribed and paid up capital of the Company has increased

from 691,065,030 shares to 693,826,780 shares of ₹ 10/- each aggregating to ₹ 6,938.27 Million as on March 31, 2020.

## GLOBAL OPERATION CENTERS:

The Company, on a consolidated basis have 36 global operation centers as on March 31, 2020. The centers are located across the US, the UK, India and the Philippines. 11 of the Company's operation centers are located in 7 cities in India, 17 in the US, 6 in the UK and 2 in the Philippines.

During the year, the Company incurred capital expenditure of ₹ 903 Million mainly towards refurbishment and maintenance of operation centers, technology upgrade and setting up of new operations centers.

## QUALITY INITIATIVES:

The Company follows global best practices for process excellence and the quality framework is based on COPC principles. The Company uses innovative techniques like Speech & Text Analytics, Robotic Process Automation and Intelligent Action Board to drive improvements across. Also, as part of the Quality Management

System, the Company has embraced ISO 9001:2008. The Company continues to follow process improvement methodologies like Six Sigma, Lean and Kaizen.

### AWARDS AND ACCOLADES:

The Company received the following awards and accolades during the year:

#### Awards:

- 'Best Complaint Handling' and 'Best Complaint Handling Team of the Year – Financial Services' at the UK Complaints Handling (UKCH) Awards 2020;
- 'Technology-Enabled Project of the Year' and 'Customer Experience Provider of the Year' at the Global Sourcing Association (GSA) UK Awards 2019;
- Winner of 'Best Use of Technology in HR' at Employee Engagement Summit, Mumbai, India;
- Gold Award for 'Best Use of Customer Insight' at the UK Customer Experience Award (CXA '19);
- 'Outsourced Contact Centre of the Year' recognition at the Contact Centre Network Northern Ireland (CCNNI) Awards 2019;
- Winner in 'Creating an Impact: Business Skills' category at the India Innovation Awards at Perspectives 2019;
- 'Best Outsourcing Partnership' at the North East Contact Centre Awards 2019.

### CONSOLIDATED FINANCIAL STATEMENTS:

In accordance with Section 129(3) of the Companies Act, 2013 and in view of notification issued by the Ministry of Corporate Affairs on Ind-AS, the Company has prepared consolidated financial statements of the Company and all its subsidiaries as per Ind-AS, which forms part of this Annual Report.

### DIVIDEND:

The Board approved and declared an interim dividend on February 17, 2020 at the rate of 25% i.e. ₹ 2.50 per share of ₹ 10/- each.

The interim dividend for FY2019-20 (including dividend distribution tax) aggregated to ₹ 2,091 Million.

### TRANSFER TO RESERVE:

The Board of Directors of the Company (hereinafter referred to as the "Board") have not recommended transfer of any amount of profit to reserves during the year under review other than as mentioned above. Hence, the remaining amount of profit for the financial year under review has been carried forward to the Statement of Profit & Loss.

### HUMAN RESOURCES:

On a consolidated basis, the Company has 21,203 employees as of March 31, 2020.

### PARTICULARS OF THE EMPLOYEES AND RELATED DISCLOSURES:

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 ("Act") read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 form part of this Report and are annexed as Annexure I.

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this Report. Further, the Report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

### PUBLIC DEPOSITS:

During the year under review, your Company has not accepted any deposits under Section 73 of the Act, and as such, no amount on account of principal or interest on public deposits was outstanding as of March 31, 2020.

### PARTICULARS OF LOANS, INVESTMENTS, GUARANTEES AND SECURITIES:

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the notes to the standalone financial statements. (Please refer to Note No. 6 & 29 to the standalone financial statements).

### CARE RATINGS:

During the year under review, CARE has upgraded rating of the Company as mentioned herein below:

Long/ Short term Bank Facilities – Fund/ Fund Based Facilities	CARE A+:Stable/CARE A1+ (Single A plus; Outlook:Stable/A One plus)
Short Term Bank Facilities – Non Fund Based Facilities	CARE A1+ (A One plus)

### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

The Company seeks to be a good corporate citizen in all aspects of its operations and activities. We commit to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders. Our CSR Policy is governed and guided by our Group's corporate vision to enable inclusive growth and our aspiration to be India's leading business group serving multiple market segments, for our customers, shareholders, employees and community. The Company seeks to undertake programmes in the areas of Healthcare, Education, Environment, Arts & Culture, Promotion of Sports as well as support initiatives towards Gender Equality and Empowerment of Women.

The Board constituted a Corporate Social Responsibility (CSR) Committee, pursuant to Section 135 of the Act, consisting of Mr. Shashwat Goenka (Chairman), Mr. Rajesh Subramaniam (ceased to be Managing Director & CEO w.e.f. August 1 2019), Mr. Vipul Khanna (appointed as Managing Director & CEO w.e.f. August 2, 2019), Mr. Subrata Talukdar and Mr. Pradip Roy (Independent Director) as its members. The CSR Committee meets at least once in a year. During the year under review, the Committee met twice. The details of CSR Committee and its meetings are given in Report on Corporate Governance forming part of the Annual Report. The CSR Committee has framed and formulated a CSR Policy indicating the activities to be undertaken by the Company, in accordance with Schedule VII of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 issued under the Act. The same has also been approved by the Board. The CSR policy is available on the website of the Company at the link <https://www.firstsource.com/wp-content/uploads/2020/06/CSR-Policy-2020-V1.pdf>.

The Annual Report on CSR Activities, as stipulated under the Act and the SEBI (LODR) Regulations, 2015 forms an integral part of this Report and is appended as Annexure II. The details of focus areas of engagement as mentioned in the CSR Policy of the Company are mentioned in the said Annual Report on CSR Activities.

The CSR activities, as per the provisions of the Act, may also be undertaken by the Company through a registered trust. Accordingly, "RP - Sanjiv Goenka Group CSR Trust" ("CSR Trust") was formed along with other Group Companies to pursue CSR activities as mentioned in the CSR Policy of the Company. During the year, the Company has spent an amount of ₹ 40.52 Million, on CSR activities as mentioned in the CSR Policy. Out of the said amount, majority of the amount has been contributed by the Company towards the corpus of the CSR Trust, which would be spent by the CSR Trust on the focus areas as mentioned in the CSR Policy of the Company.

The CSR at the Company is a platform for giving back to the communities in which we live and work. The Company looks to engage employees in focus areas where possible through programmes such as employee volunteering, payroll giving, participating in fundraising events, partnering with NGO's and response to disasters.

#### India:

- In wake of the COVID-19 outbreak, Firstsourcers procured personal hygiene kits for 200+ Govt. school students, including toiletries for the school (Hand sanitizer, Antiseptic liquid, Disinfectant, Band-Aids, Soaps, Tooth paste & brush, comb) worth ₹ 0.22 Million;
- Daan Utsav celebrated in the first week of October, witnessed donation drives for food, stationary for children and other household items to the tune of ₹ 0.73 Million. In addition, meals and tiffin boxes were distributed amongst all the housekeeping staff and security guards across India offices;
- Firstsourcers sponsored a fundraising event (Kalpataru - A Musical) for 'Light of Life Trust' for ₹ 0.20 Million;
- Firstsourcers donated ₹ 0.20 Million to 'Foundation for Excellence' assisting Scholarship opportunities for the underprivileged;
- Firstsourcers from the Bangalore office visited 'Swanthana', an NGO that houses girls with multiple disabilities. The team

spent time with them and donated day-to-day personal care items, groceries, utensils and bed sheets contributed by their colleagues;

- Firstsourcers in Gandhinagar visited 'Pragati Foundation' for intellectually disabled children and donated learning aids worth ₹ 0.01 Million;
- Bangalore office volunteered to support and spend time with the cancer patients at 'Karnashraya', a hospice trust which is a joint venture of the Indian Cancer Society and Rotary Bangalore. Firstsourcers also donated tiffin boxes and food to the house keeping staff as a token of appreciation for their service;
- Gandhinagar office witnessed volunteering at the 'Rahelba Vrudhashram- NirmadSeva Trust' in support of the elderly. They also donated groceries, a washing machine and other food items;
- Trichy office visited 'Kangaru Karunai Illam' old age home and donated groceries and other essentials worth ₹ 0.01 Million;
- Vijaywada office visited 'Amma' old age home and donated groceries and other essentials worth ₹ 0.01 Million;
- Bangalore office in partnership with 'Cheshire Homes', launched a book donation and Employee Volunteering drive and donated books, stationaries, school bags, water bottles and other school supplies for 40 school going girls. Firstsourcers donated a complete day's meals for 150 Orphans in Bangalore;
- Firstsourcers from Mumbai office in collaboration with 'Oasis', an NGO working to prevent human trafficking and other forms of violence against women and children, donated groceries and other supplies to assist each person to flourish in the context of their community;
- Gandhinagar enjoyed a grand Raksha Bandhan, a festival celebrating brother-sister relationships, by reaching out to the police officers and offering small tokens of appreciation;
- Bangalore office volunteered and donated books, sweaters, football & crickets sets, plates, tiffin boxes, washing machines, groceries, toiletries, stationary, board games, crafts & sweets to various NGOs like 'The Baale Mane Trust', 'Brahmi Educational and Cultural Trust', 'Ashwini Charitable Trust' & 'Miracle Manna Ministry'. These non-profits work in the space of child empowerment;
- Gandhinagar office donated laptops for computer labs and food to a nearby Govt. school 'Ratanpur Primary School & Aanganwadi' that supports children;
- Gandhinagar office donated groceries and Public Address systems to the 'Service Association for the Blind';
- Firstsourcers in Bangalore sponsored education for 3rd and 4th standard children alongwith one day's meals for all the beneficiaries at Rohi Foundation, an NGO working for the better future of below poverty line families and their children. Amount spent was ₹ 0.09 Million;
- Firstsourcers helped setup an IVRS worth ₹ 0.28 Million, to manage the influx of global calls for INALI Foundation- an NGO working to provide affordable synthetic limbs.

**Philippines:**

- Firstsourcers donated food items, bottled water and hygiene kits for the evacuees from the Taal Volcano Eruption;
- Cebu office employees participated in the annual blood donation campaign on site in partnership with the 'Philippine Red Cross Cebu Chapter';
- Visually impaired massage therapists were invited to offer their services to top performing employees in Cebu, Skyrise 1.

**UK:**

- 'Firstsourcers at Derry office participated in Community Gardening. They went to a local nursery and completed some outside work;
- Derry office celebrated 'Hugs for Hope' as an effort to inspire random acts of kindness and emotional support for individuals and families in treatment and recovery related to mental health issues;
- Firstsourcers celebrated the 'World Penguin day' on April 25, 2019, as a way of honoring the unique bird on the planet. They also raised awareness of this flightless bird whose existence is becoming a threat every day;
- Firstsourcers celebrated 'Sober October' as a fundraising initiative that encourages people to give up alcohol for the month of October;
- Derry office witnessed participation in a 'Sponsored Walk for Cancer Care' and a 'Charity Football Match';
- Firstsourcers celebrated 'Bric a Brac Sale' and 'Easter Egg Raffle';
- Firstsourcers celebrated 'The World Suicide Prevention Day' on September 10. With the "40 seconds of action" campaign being launched by the WHO, Firstsourcers spread awareness of the scale of suicide around the world and the role that each of us can play to help prevent it;
- Belfast office celebrated 'Lets Fight Cancer Day';
- Firstsourcers celebrated 'Movember' that involved the growing of moustaches during the month of November to raise awareness of men's health issues, such as prostate cancer, testicular cancer, and men's suicide;
- Derry office raised funds for local children's ward to support children in foster care;
- Belfast office donated to the PIPS (Public Initiative for Prevention of Suicide and Self-Harm) Charity;
- Firstsourcers celebrated Christmas through the spirit of giving. 'Kindship Care' initiative encouraged giving out family hampers for the underprivileged;
- Firstsourcers participated in 'Dementia and Alzheimer's Awareness Week' in the third week of May 2019;
- Firstsourcers celebrated the 'Armed Forces Day' on June 25 to pay special tribute to the men and women of the Armed Forces.

**USA:**

- Louisville office witnessed a blood donation drive where 16 units of blood were donated to the Red Cross;
- Fort Scott office raised funds for Breast Cancer Awareness through a silent auction;
- Firstsourcers in Amherst participated in donation for the 'Global Fund for Women' celebrating the cause of gender equality;
- Fundraising drive helped donate USD 2100 to St. Jude Children's Hospital, a leading hospital that specializes in childhood cancer and pediatric diseases;
- Firstsourcers at Louisville & Illinois donated USD 225 along with food to public food shelters- 'Ms Carley's Food Pantry' & 'Dare to Care'. Some also volunteered at the pantry of the food bank;
- Firstsourcers raised USD 1595 for 'Breast Cancer Awareness';
- Amherst and Buffalo offices organized bike rides & walks in collaboration with 'The Susan G. Komen Race' and 'Ride For Roswell' to raise awareness for breast cancer. Over 100 Firstsourcers participated in these events;
- Our leadership visited Long-Term Care Facility 'Highlands Health & Rehab' to pass out Holiday Cards;
- Louisville office donated coats, hats, gloves, socks, toiletries to the homeless and underprivileged in an attempt to help the less fortunate stay clean and warm;
- Louisville donated 770 lbs of food to NGO "Dare to Care".

Firstsource's modes of CSR delivery also extends into (i) "Employee Welfare" with interventions aimed at our own employees' engagement and retention; and (ii) "Payroll Giving" where employees volunteer to deduct a small part of their salary every month, which accumulates and can then, be donated to a cause of their choice. Please find below update on the same:

- Firstsourcers contributed ₹ 0.11 Million towards PM CARES Fund in India. This is an ongoing activity aimed at combating the COVID-19 outbreak;
- Firstsourcers across several centres in India contributed over ₹ 0.50 Million as part of payroll giving for Daan Utsav;
- As part of the 'Give India' Payroll Giving Program, Firstsourcers contributed ₹ 1.48 Million towards various charities;
- Firstsourcers in Manila donated PHP 0.02 Million through payroll giving as part of Volcano evacuee aid to the DSWD (Department of Social Welfare and Development) in Alabang;
- Cebu office conducted its annual 'Dream in a Bag' event wherein Firstsourcers donated a portion of their salaries to purchase school supplies for students of Budlaan Integrated School, Cebu;
- Firstsourcers in Louisville raised USD 700 through payroll giving which went into donating candy and money for children at the 'Norton's Children Hospital';
- Derry, Cardiff offices raised GBP 4,812.75 through payroll giving to support Breast cancer patients and underprivileged children;

- Firstsourcers in Fort Scott and Rockford offices participated in employee engagement initiatives such as pumpkin craft, trunk decoration, holiday dinner, veterans in the office, international men's day and Halloween costume contest;
- In an attempt to boost morale, the Laport office in the USA, organised activities to promote teamwork and knowledge sharing;
- Firstsourcers in UK celebrated Wellbeing week in April to promote an overall awareness for the various aspects of wellbeing of its employees, including social, physical, emotional, financial, career, community and environment;
- Derry office in UK had fun participating in an obstacle course named 'Hard As Oak Challenge'. This was organised in collaboration with The Foyle Search and Rescue, an NGO working to provide humanitarian aid;
- Derry office in UK partnered with 'Foyle Search and Rescue' to organise a waterside half marathon for Firstsourcers.

### RISK MANAGEMENT:

The Company has implemented a comprehensive and fully integrated 'Enterprise Risk Management' framework in order to anticipate, identify, measure, manage, mitigate, monitor and report the principal risks and uncertainties that can impact its ability to achieve its strategic business objectives.

The Enterprise Risk Management drives a common integrated view of risks and optimal risk mitigation responses. This integration is enabled by alignment of Risk Management and Internal Audit methodologies and processes in order to maximize enterprise value of the Company and ensure high value creation for our stakeholders over a time.

The details of the 'Enterprise Risk Management' framework with details of the principal risks and the plans to mitigate the same are given in the 'Risk Management Report' section of the 'Management Discussion and Analysis Report' which forms part of this Annual Report.

Further in view of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), effective April 1, 2019, the Board constituted a Risk Management Committee on February 4, 2019 to monitor & mitigate the Risk.

### INTERNAL FINANCIAL CONTROLS:

The Company has in place adequate internal financial controls with reference to financial statements. Such internal financial controls over financial reporting are operating effectively and the Statutory Auditor has also expressed their opinion on the same in the Annexures to the Auditors Report.

### WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy (the "WB Policy") with a view to provide vigil mechanism to Directors, Employees and other Stakeholders to disclose instances of wrongdoing in the workplace and report instances of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The WB Policy also states that this mechanism provides for adequate safeguards against victimization of Director(s)/ Employees

who avail of the mechanism and also provides for direct access to the Chairperson of the Audit Committee in exceptional cases. The WB Policy has been posted on the website of the Company and the details of the same are provided in the 'Report on Corporate Governance' forming part of this Annual Report.

The WB Policy is available on the website of the Company at <https://www.firstsource.com/wp-content/uploads/2020/03/WHISTLE-BLOWER-POLICY-2020-v5-2.pdf>.

### PREVENTION OF SEXUAL HARRASSMENT POLICY:

The Company has a 'Prevention of Sexual Harassment Policy' in force in compliance with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The objective of this Policy is to ensure a safe, secure and congenial work environment where employees deliver their best without any inhibition, threat or fear. The Company has Zero Tolerance to any form of harassment especially if it is sexual in nature. The complaints filed under the Policy are reported to the Audit Committee at its quarterly meetings with details of action taken thereon.

### BOARD OF DIRECTORS:

During the year under review, the following are the changes in the Board of Directors:

- Mr. Pradip Kumar Khaitan (DIN 00004821) retires by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting ("AGM").
- Appointment of Mr. Vipul Khanna (DIN 00889710) as a Managing Director & CEO of the Company w.e.f. August 2, 2019 for a period of five (5) years, not liable to retire by rotation.
- Mr. Rajesh Subramaniam (DIN 02617781) ceased to be the Managing Director & CEO, on account of expiration of his term on August 1, 2019 by efflux of time, The Board places on record its appreciation towards valuable contribution made by him during his tenure as a Managing Director & CEO of the Company.
- Mr. V. K. Sharma (DIN 02051084) ceased to be an Independent Director on account of completion of his term on November 13, 2019 by efflux of time. The Board places on record its appreciation towards valuable contribution made by him during his tenure as a Director of the Company.
- Re-appointment of Ms. Grace Koshie (DIN 06765216) as an Independent Director on the Board of the Company for a term of three (3) consecutive years, subject to Member's approval at the 19th Annual General Meeting.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act.

### Board and Audit Committee Meetings:

During the FY2019-20, the following four (4) Board Meetings and Audit Committee Meetings were held:

- May 6, 2019
- August 2, 2019
- November 6, 2019
- February 4, 2020.

Time gap between any two meetings was not more than one hundred twenty (120) days.

The full details of the said meetings are given in the 'Report on Corporate Governance' forming part of this Annual Report.

#### **The Familiarisation Programmes for Independent Directors:**

The Company has put in place a system to familiarise its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details of such familiarisation programmes are put up on the website of the Company at the below link: <https://www.firstsource.com/wp-content/uploads/2020/06/Policy-on-familiarisation-of-Independent-Directors.pdf>.

### **BOARD EVALUATION:**

#### **(i) Performance Evaluation of the Independent Directors and Other Individual Directors:**

The Company has framed a policy for Appointment of Directors and Senior Management and Evaluation of Directors' Performance ("Board Evaluation Policy"). The said policy sets out criteria for performance evaluation of Independent Directors, other Non-Executive Directors and the Executive Directors.

Pursuant to the provisions of the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Board carries out the performance evaluation of all the Directors (including Independent Directors) on the basis of recommendation of the Nomination & Remuneration Committee and the criteria mentioned in the Board Evaluation Policy. The Board decided that the performance evaluation of Directors should be done by the entire Board of Directors excluding the Director being evaluated and unanimously agreed on the following assessment criteria for evaluation of Directors' performance:

- Attendance and active participation in the Meetings;
- Bringing one's own experience to bear on the items for discussion;
- Governance covering Awareness and Observance; and
- Value addition to the business aspects of the Company.

#### **(ii) Performance Evaluation of Executive Director:**

The performance of the Managing Director & CEO is evaluated on the basis of achievement of performance targets/ criteria given to him by the Board from time to time.

#### **(iii) Performance Evaluation by the Board of its own performance and its Committees:**

The performance of the Board is evaluated by the Board in the overall context of understanding by the Board of the Company's principle and values, philosophy and mission statement, strategic and business plans and demonstrating this through its action on important matters, the effectiveness of the Board and the respective Committees in providing guidance to the Management of the Company and keeping them informed, open communication, the constructive participation of members and prompt decision making, level of attendance in the Board

meetings, constructive participation in the discussion on the Agenda items, monitoring cash flow, profitability, income & expenses, productivity & other financial indicators, so as to ensure that the Company achieves its planned results, effective discharge of the functions and roles of the Board, etc.

The performance of the Committees is evaluated by the members of the respective Committees on the basis of the Committee effectively performing the responsibility as outlined in its Charter, Committee meetings held at appropriate frequency, length of the meetings being appropriate, open communication & constructive participation of members and prompt decision-making, etc.

### **POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:**

The criteria for Directors' appointment and for determining qualification, positive attributes and independence of a Director as mentioned in the 'Policy for Appointment of Directors and Senior Management and Evaluation of Directors' Performance' in terms of Section 178(3) of the Act is mentioned below:

#### **Appointment criteria and qualifications:**

- The Nomination & Remuneration Committee shall identify and ascertain the integrity, qualifications, expertise and experience of the person for appointment as Director, Key Managerial Personnel ("KMP") or at Senior Management level and recommend the same to the Board for appointment, if found suitable;
- A person should possess adequate qualifications, expertise and experience for the position he/ she is considered for appointment. The Committee has discretion to decide whether qualifications, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position; and
- The Company shall not appoint or continue the employment of any person as Managing Director/ Whole-Time Director who has attained the age of seventy years, provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice or such motion indicating the justification for extension of appointment beyond seventy years.

#### **Meeting of Independent Directors:**

There should be at least one meeting of Independent Directors in a year, without the attendance of non-independent Directors and members of the Management.

The Independent Directors in the meeting:

- Review the performance of non-independent Directors including Managing Director & CEO and the Board as a whole;
- Review the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors; and
- Assess the quality, quantity and timeliness of the flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

## REMUNERATION POLICY:

The Board, on the recommendation of the Nomination & Remuneration Committee framed a Remuneration Policy for Non-Executive Directors (including Independent Directors) and a Remuneration Policy for Key Managerial Personnel and other Employees of the Company. The details of Remuneration Policy for Non-Executive Directors and Independent Directors are provided as Annexure IIIA and details of Remuneration Policy for Key Managerial Personnel and Other employees of the Company are provided as Annexure IIIB to this Report.

## COMMITTEES OF THE BOARD:

**A detailed note on the Board and its Committees is provided in the 'Report on Corporate Governance' forming part of this Annual Report. The composition of the major Committee(s) is as follows:**

### Audit Committee:

As on March 31, 2020, the Audit Committee comprised of three (3) Independent Directors viz. Ms. Grace Koshie (Chairperson), Mr. Pradip Roy, Mr. Sunil Mitra and one (1) Non – Independent Director, Mr. Subrata Talukdar.

### Nomination & Remuneration Committee:

As on March 31, 2020, the Nomination & Remuneration Committee comprised of two (2) Independent Directors viz. Mr. Pradip Roy (Chairman), Mr. Pratip Chaudhuri and one (1) Non-Independent Director, Mr. Subrata Talukdar.

### Corporate Social Responsibility Committee:

As on March 31, 2020, Corporate Social Responsibility Committee comprised of four (4) members viz Mr. Shashwat Goenka (Chairman), Mr. Vipul Khanna (appointed as a member w.e.f. August 2, 2019), Mr. Subrata Talukdar and one (1) Independent Director, Mr. Pradip Roy.

### Stakeholders Relationship Committee:

As on March 31, 2020, Stakeholders Relationship Committee comprised of three (3) members viz. Mr. Subrata Talukdar (Chairman), Mr. Vipul Khanna (appointed as a member w.e.f. August 2, 2019) and one (1) Independent Director, Mr. Pradip Roy.

### Investment Committee:

As on March 31, 2020, Investment Committee comprised of three (3) members viz. Mr. Shashwat Goenka (Chairman), Mr. Vipul Khanna (appointed as a member w.e.f. August 2, 2019) and one (1) Non-Independent Director, Mr. Subrata Talukdar.

### Strategy Committee:

As on March 31, 2020, Strategy Committee comprised of three (3) members viz. Mr. Shashwat Goenka (Chairman), Mr. Vipul Khanna (appointed as a member w.e.f. August 2, 2019) and one (1) Non-Independent Director, Mr. Subrata Talukdar.

### Risk Management Committee:

As on March 31, 2020, Risk Management Committee comprised of five (5) members viz. Mr. Shashwat Goenka (Chairman), Mr. Vipul Khanna (appointed as a member w.e.f. August 2, 2019), one (1) Independent Director, Ms. Grace Koshie, Mr. Dinesh Jain and Mr. Arun Tyagi, Officials of the Company.

## RELATED PARTY TRANSACTIONS:

All the contracts/ arrangements/ transactions that were entered into by the Company during the financial year with related parties were on an arm's length basis and in the ordinary course of business. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material, requiring approval of the Board/ shareholders, in accordance with the policy of the Company on materiality of related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and at arm's length. All Related Party Transactions are placed before the Audit Committee for approval.

The policy on Related Party Transactions as approved by the Board is available on the website of the Company at the below link: <https://www.firstsource.com/wp-content/uploads/2020/06/FSL-Related-Party-Transactions-Policy.pdf>.

Details of Related Party Transactions are given at Note No. 25 to the Standalone Financial Statements. None of the Directors of the Company has any pecuniary relationships or transactions vis-à-vis the Company.

## EMPLOYEES STOCK OPTION SCHEME:

The Company grants share-based benefits to eligible employees with a view to attracting and retaining the best talent, encouraging employees to align individual performances with Company objectives, and promoting increased participation by them. With a view to provide an opportunity to the employees of the Company to share the growth of the Company and to create long term wealth, the Company has an Employee Stock Option Scheme (ESOS), viz., the Firstsource Solutions Employee Stock Option Scheme, 2003 (ESOS 2003). The Scheme is applicable to all eligible employees and Directors of the Company and its Subsidiary Companies. The Scheme is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended.

### FIRSTSOURCE SOLUTIONS LIMITED EMPLOYEE STOCK OPTION PLAN 2019 ("ESOP 2019 PLAN"):

The Company has established the ESOP 2019 Plan, pursuant to approval of shareholders at the Annual General Meeting on August 2, 2019, to allow our employees to acquire greater proprietary stake in our success and growth, and to encourage our employees to continue their association with us. The ESOP 2019 Plan is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI (SBEB) Regulations), as amended.

As per the ESOP 2019 Plan, the Nomination & Remuneration Committee will issue stock options to the identified eligible employees/ director(s) of the Company and its Subsidiaries at an exercise price which will be the face value of the Shares or any higher price which may be decided by the Nomination & Remuneration Committee considering the prevailing market conditions and the norms as prescribed by SEBI and other relevant regulatory authorities. Further the stock options under the said plan would vest & be exercisable in tranches as determined by the Nomination & Remuneration Committee basis the power given

to the Nomination & Remuneration Committee in line with the ESOP 2019 Plan.

#### LONG TERM INCENTIVE STRUCTURE GRANTS UNDER ESOP 2019 PLAN:

In continuation of the Company's philosophy of aligning employee interests with shareholder value creation and in line with global practices, the Nomination & Remuneration Committee of the Board of Directors has approved the Long Term Incentive Structure ("LTI") in the form of ESOP grants which will be granted to identified eligible employees as per ESOP 2019 Plan. This unique plan is a combination of tenure and performance based ESOPs aligned to shareholder value creation which will deepen employee ownership in the Company.

##### A) Tenure based Structure (ESOP Structure):

Options in this structure will be granted to identified eligible employees, basis the below criteria:

1. Drives ownership of employees in Company's fortunes for better engagement and retention;
2. Seen as part of the total compensation package, in line with competition/ market practice;
3. Quantum of grants is based on the performance and potential of the individual employee.

##### Vesting Schedule in the given structure is:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25%
At the end of every quarter after year 1, till end of year 4 from date of grant	6.25%

##### B) Performance based Structure (PSU Structure):

Option in this structure is granted to identified eligible employees – Functional and Business heads, basis the below criteria:

1. Attainment of options can range between 0% and 150% of tranche eligible for vesting for the respective performance measurement period. Each tranche is separate. Performance and vesting in one performance period has no bearing on performance and vesting in another performance period;
2. Subject to terms and conditions of the scheme, the performance-based component of the grant is measured basis the Performance targets as agreed annually by the Management.

##### Vesting Schedule in the given structure is:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25%
At the end of every year after year 1, till end of year 4 from date of grant	25%

Under both the above structures grants will be issued at face value of the shares or any higher price which may be decided by the Nomination & Remuneration Committee and will have an exercise

period up to ten years as per the ESOP 2019 Plan and as determined by the Nomination & Remuneration Committee.

Under the ESOP 2019 Plan, as on March 31, 2020, the Nomination & Remuneration Committee has approved grant of 10,784,204 options which are a mix of tenure based and performance based structure options to its senior leadership team and employees.

##### FIRSTSOURCE EMPLOYEE BENEFIT TRUST UNDER ESOP 2019 PLAN:

The ESOP 2019 Plan shall be implemented through the Trust which will be administered under the guidance, advice and direction of the Nomination & Remuneration Committee in accordance with the provisions of the Companies Act, 2013 and SEBI (SBEB) Regulations.

The Board of Directors has facilitated setting up of Employee welfare trust, viz "Firstsource Employee Benefit Trust" ("ESOP trust") to implement the ESOP 2019 Plan which has been formed by the Company. The Company shall provide financial assistance to the Trust for secondary acquisition of equity shares of the Company for the purpose of implementation of ESOP 2019 Plan. The terms and conditions for the financial assistance provided shall be in compliance with the Companies Act, 2013 read with Companies (Share Capital and Debenture) Rules, 2014 and SEBI (SBEB) Regulations.

During the year ended March 31, 2020, the Trust has purchased 3,156,000 equity shares through secondary acquisition.

##### GRANTS TO THE MANAGING DIRECTOR & CEO (MD & CEO) UNDER ESOP 2019 PLAN:

In view of the Shareholder's approval via postal ballot on January 11, 2020 through a special resolution wherein it was approved that the MD & CEO shall be entitled to participate in the equity based Long Term Incentive Structure under ESOP 2019 Plan of the Company. Accordingly, the Nomination & Remuneration Committee of Board of Directors of the Company on February 28, 2020 has approved the grant of ₹ 10,066,204 options under ESOP Plan 2019 at the face value of ₹ 10/- of the shares to Mr. Vipul Khanna, MD & CEO which are a mix of tenure based and performance based structures. The brief details of these grants are mentioned herein below:

##### A. Grants under Tenure Based Structure :

No. of Stock Options	Vesting Date	Vesting Conditions
1,186,624	October 1, 2021	Continued employment
719,966	October 1, 2023	Continued employment

##### B. Grants under Performance Based Structure:

No. of Stock Options	Vesting Date	Vesting Conditions
8,159,614	October 1, 2023	Achievement of Profits Before Tax **

\*\* Performance period may be further defined in consultation with the Nomination & Remuneration Committee

##### GRANT OF OPTIONS EXCEEDING 1% OF ISSUED CAPITAL TO MANAGING DIRECTOR & CEO (MD & CEO) UNDER ESOP 2019 PLAN:

The Nomination & Remuneration Committee of Board of Directors of the Company on February 28, 2020 has granted 10,066,204 options (as per the table above) to MD & CEO under ESOP 2019 Plan which are in excess of 1% of the issued capital (excluding outstanding warrants and conversions) as on that date, subject to the approval



of shareholders. These options are to be exercised by the MD & CEO within a period of one (1) year from the date of vesting.

## SUBSIDIARY COMPANIES:

As on March 31, 2020, your Company has 14 subsidiaries and 1 Associate Company:

### Domestic Subsidiary: (1)

1. Firstsource Process Management Services Limited (Formerly known as Anunta Tech Infrastructure Services Limited) [Wholly Owned Subsidiary (“WOS”) of the Company]

### International Subsidiaries: (13)

2. Firstsource Solutions UK Limited, UK (WOS of the Company)
3. Firstsource Solutions S.A., Argentina (Subsidiary of Firstsource Solutions UK Limited)
4. Firstsource BPO Ireland Limited (WOS of Firstsource Solutions UK Limited)
5. Firstsource Group USA, Inc., USA (Subsidiary of the Company)
6. Firstsource Business Process Services, LLC, USA (WOS of Firstsource Group USA, Inc)
7. Firstsource Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
8. One Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
9. MedAssist Holding, LLC, USA (WOS of Firstsource Group USA, Inc)
10. Firstsource Solutions USA, LLC, USA (WOS of MedAssist Holding, LLC)
11. Firstsource Transaction Services, LLC, USA (WOS of Firstsource Solutions USA, LLC)
12. Sourcepoint, Inc. (Formerly Known as ISGN Solutions Inc.) (WOS of Firstsource Group USA, Inc)
13. Sourcepoint Fulfillment Services, Inc. (Formerly Known as ISGN Fulfillment Services, Inc. (WOS of Sourcepoint, Inc.)
14. Firstsource Dialog Solutions (Private) Limited (Subsidiary of the Company)

### Associate Company: (1)

1. Nanobi Data and Analytics Private Limited

### Note:

1. During the year under review, ISGN Fulfillment Agency, LLC, wholly owned subsidiary of Sourcepoint Fulfillment Services, Inc., got wound up and dissolved w.e.f. June 24, 2019.
2. During the year under review, the Company transferred its entire investment/ ownership in Firstsource BPO Ireland Limited, wholly owned subsidiary of the Company, to Firstsource Solutions UK Limited (FS UK), wholly owned subsidiary of the Company and consequent to transfer of investment/ ownership, Firstsource BPO Ireland Limited will be the wholly owned step-down subsidiary of the Company.
3. During the year under review, the Company restructured its global holding structure of Firstsource Group USA, Inc. (FG USA), wholly owned subsidiary of the Company, the Company

now directly holds 85% in FG USA and rest 15% through its wholly owned subsidiary Firstsource Solutions UK Limited. Overall holding of the Company remains unchanged.

The Company has no other joint venture Company. No company has ceased to be a joint venture or associate during the FY2019-20.

### Report on the Performance and Financial Position of Subsidiaries:

A report on the performance and financial position of each of the subsidiaries as per the Act, in the prescribed format AOC – 1 is annexed to the consolidated financial statement and hence not repeated here for the sake of brevity. The Company has a policy on material subsidiaries pursuant to Regulation 16(1)(c) of the Listing Regulations. The same is available on the website of the Company viz: <https://www.firstsource.com/wp-content/uploads/2020/06/FSL-Material-Subsidiary-Policy.pdf>.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report for the year as stipulated under Regulation 34(3) of the Listing Regulations is separately given and forms part of this Annual Report.

## BUSINESS RESPONSIBILITY REPORT:

Business Responsibility Report for the year as stipulated under Regulation 34(3) of the Listing Regulations is separately given and forms part of this Annual Report.

## REPORT ON CORPORATE GOVERNANCE:

The adherence to the corporate governance practices by the Company not only justifies the legal obedience of the laws but dwells deeper conforming to the ethical leadership and stability. It is the sense of good governance that our leaders portray, which trickles down to the wider Management and is further maintained across the entire functioning of the Company.

The Company is committed to maintain the highest standards of corporate governance and adheres to the corporate governance requirements set out by SEBI.

The report on Corporate Governance as stipulated under provisions of Chapter IV & Schedule V of the Listing Regulations is separately given and forms part of this Annual Report. The requisite certificate from a Practicing Company Secretary confirming compliance of the conditions of corporate governance is attached to the Report on Corporate Governance.

## EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in Form MGT- 9 is annexed herewith as Annexure IV and the same is available on the Company’s website at <https://www.firstsource.com/investor-relations/>.

## STATUTORY DISCLOSURES OF PARTICULARS:

### A) Conservation of Energy:

The Company continues to make progress towards energy conservation across all its operation centers by adopting efficient Air-conditioning management system, usage of Energy efficient LED and efficient power back-up system. The Company is continuously monitoring earlier initiatives of reducing energy

consumption within data center/(s) and across its' operation centers. The Company, similar to its previous year's initiatives of GREEN IT, continued to replace the normal Desktops and old Thin clients with Mini Desktops/ Zero thin-clients in US Geography as the power consumption of mini desktop & Zero thin-clients was 2.5 times less than the power consumed by normal desktops and nearly 5 times less during standby mode. Scripts have been deployed where possible to shut down the Desktops/ Thin clients which are not being used for more than 1 hour which helps conserve energy.

#### B) Absorption of Technology:

The Company has been adopting Digital Technologies which can benefit its businesses to improve user experience, operational efficiency in a cost effective manner. During the course of the year, the Company has adopted multi-cloud and hybrid-cloud platforms (combination of many cloud platforms). These include migrations of various enterprise grade applications, server workload and telephony infrastructure to multi-cloud platforms across geographies and businesses. The Company has also invested significantly in a cloud based Next Generation Cyber-Security solution, covering the entire horizon of Endpoints, Servers and Network security, integrated with Cisco Threat Response and Threat intelligence. The security solution provides complete protection to endpoints, servers in data center and also Company's cloud platform. The Company also developed Chat-Bot solutions as an integral part of its applications, which enhanced user experience of its clients and business users.

#### C) Foreign Exchange Earnings and Outgo Activities relating to exports, initiatives taken to increase exports, development of new export markets for services and export plans:

The Company's income is diversified across a range of geographies and industries. During the year, 81.96% of the Company's standalone total revenues were derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific region. The Company has established direct marketing network around the world to boost its exports.

#### FOREIGN EXCHANGE EARNED AND USED:

The Company's Foreign Exchange Earnings and Outgo during the year were as under:

Particulars	(Standalone figures in ₹ Million)	
	FY2020	FY2019
Foreign Exchange Earnings	7,703.35	6,483.44
Foreign Exchange Outgo (including capital goods and imports)	69.54	186.49

#### SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company obtained Secretarial Audit Report from Rathi & Associates, Company Secretaries in Practice for the FY2019-20. The Secretarial Audit Report is annexed to this Report as Annexure V.

#### ANNUAL SECRETARIAL COMPLIANCE REPORT:

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 read with Regulation 24(A) of the Listing Regulations, directed listed entities to conduct Annual Secretarial Compliance Audit from a Practicing Company Secretary of all applicable SEBI Regulations and circulars/ guidelines issued thereunder. The said Secretarial Compliance report is in addition to the Secretarial Audit Report by Practicing Company Secretaries under Form MR – 3 and is required to be submitted to Stock Exchanges within 60 days of the end of the financial year or as per the extended timelines by the Government from time to time. The Company has engaged the services of Rathi & Associates (CP No. 3030), Practicing Company Secretary for providing this certification.

#### STATUTORY AUDITORS AND AUDITORS' REPORT:

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, bearing Registration Number: 117366W/W-100018, were appointed as the Statutory Auditors of the Company by the members at their 16th Annual General Meeting (AGM) for a term of consecutive five (5) years i.e. till the conclusion of 21st AGM.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

#### GENERAL:

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these matters during the FY2019-20:

- Issue of equity shares with differential rights as to dividend, voting or otherwise;
- Issue of shares to employees of the Company under any scheme save and except Employees Stock Option Schemes as referred to in this Report;
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

Further, your Directors would like to mention that the Managing Director & CEO received USD 118.37 Million as remuneration during the year from Firstsource Group USA Inc. subsidiary of the Company.

The disclosure pursuant to Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with Circular No. CIB/CFD/Policy/CELL/2, 2015 dated June 16, 2015, will be placed on the website of the Company.

#### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 134(3) (c) and 134(5) of the Companies Act, 2013, Directors of your Company state and confirm that:

1. In the preparation of the annual accounts for the FY2019-20, the applicable Ind-AS accounting standards have been followed and there are no material departures from the same;

2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for year ended on that date;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **ACKNOWLEDGEMENTS:**

The Board wishes to place on record its sincere appreciation for the support and co-operation extended by all the customers, vendors, bankers and business associates. The Board also expresses its gratitude to the Ministry of Telecommunications, Collector of Customs and Excise, Director of Special Economic Zone, Ministry of Labour, Ministry of Corporate Affairs and various Governmental departments and organisations for their help and cooperation.

Further, the Board places on record its appreciation to all the employees for their dedicated service. The Board appreciates and values the contributions made by every member across the world and is confident that with their continued support, the Company will achieve its objectives and emerge stronger in the coming years.

**For and on behalf of the Board of Directors**

**Dr. Sanjiv Goenka**  
Chairman

Mumbai  
May 26, 2020