

Directors' report Financial year 2019-20

Dear Members,

The Directors present their report on the business and operations of your Company along with the Annual Report and audited financial statements of the Company for the financial year 2019-20.

Financial highlights

As per Consolidated financial statements:

(Amounts in ₹ million)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Revenue from operations | 48,612.76 | 49,589.03 |
| Finance income | 1,658.14 | 1,319.73 |
| Other income, net | 115.25 | 441.19 |
| Total income | 50,386.15 | 51,349.95 |
| Depreciation and amortization | (1,063.81) | (537.17) |
| Profit before tax | 22,522.81 | 22,669.87 |
| Tax expenses | (7,900.64) | (8,810.89) |
| Profit for the year | 14,622.17 | 13,858.98 |
| Other comprehensive income for the year | 1,035.89 | 226.49 |
| Total comprehensive income for the year | 15,658.06 | 14,085.47 |

As per Unconsolidated financial statements:

(Amounts in ₹ million)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Revenue from operations | 35,255.08 | 35,808.97 |
| Finance income | 1,508.73 | 1,173.47 |
| Other income, net | 182.86 | 216.03 |
| Total income | 36,946.67 | 37,198.47 |
| Depreciation and amortization | (831.72) | (501.98) |
| Profit before tax | 20,085.79 | 19,864.15 |
| Tax expenses | (4,259.23) | (7,039.45) |
| Profit for the year | 15,826.56 | 12,824.70 |
| Other comprehensive income for the year | (33.54) | 25.83 |
| Total comprehensive income for the year | 15,793.02 | 12,850.53 |

Performance

On consolidated basis, your Company's revenue stood at ₹ 48,612.76 million this year, down 2% compared to ₹ 49,589.03 million of the previous financial year. The net income for the current financial year was ₹ 14,622.17 million, an increase of 6% compared to ₹ 13,858.98 million of the previous year. On an unconsolidated basis, your Company's revenue stood at ₹ 35,255.08 million during the current financial year, decrease of 2% compared to ₹ 35,808.97 million of the previous year. The net income for the current financial year was ₹ 15,826.56 million, an increase of 23% compared to ₹ 12,824.70 million of the previous year. Previous years' figures have been re-arranged / re-classified, wherever necessary, as per the applicable regulations.

A detailed analysis of the financials is given in the Management's discussion and analysis report that forms part of this Annual Report.

Dividend

The Company declared an interim dividend of ₹ 180 per equity share of ₹ 5 each on May 8, 2020 for the financial year ended March 31, 2020. The Board of Directors has not recommended any additional final dividend for the financial year 2019-20.

Transfer to reserves

The Company does not propose to transfer any amount to the General Reserve out of the amount available for appropriation.

Particulars of loans, guarantees or investments

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

Share capital

During the financial year 2019-20, the Company allotted 100,151 equity shares of face value of ₹ 5 each to its eligible employees and Directors who exercised their stock options under the prevailing Employee Stock Option Schemes of the Company. As a result, the paid-up equity share capital of the Company as on March 31, 2020 was ₹ 429,396,490 divided into 85,879,298 equity shares of face value of ₹ 5 each.

Extract of annual return

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return (in form MGT-9) for the financial year ended March 31, 2020 is annexed as Annexure 1 to this report.

Directors and key managerial personnel

Mr. Chaitanya Kamat and Mr. Harinderjit Singh, Directors of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment. Resolutions seeking Members' approval for their re-appointment forms part of the Notice.

Changes in Board during the year:

- a. Ms. Maria Smith resigned as a Non-Executive, Non-Independent Director of the Company, with effect from May 9, 2019.
- b. The Members of the Company at the Annual General Meeting held on August 8, 2019 approved:
 - Appointment of Mr. Makarand Padalkar, Chief Financial Officer of the Company as the Whole-time Director and Chief Financial Officer of the Company for a term of five consecutive years from May 9, 2019 to May 8, 2024, liable to retire by rotation.
 - Appointment of Mr. Yong Meng Kau, as a Non-Executive, Non-Independent Director of the Company, liable to retire by rotation.
 - Appointment of Mr. Vincent Secondo Grelli as a Non-Executive, Non-Independent Director of the Company, liable to retire by rotation.
 - Appointment of Ms. Jane Murphy as a Non-Executive, Independent Director of the Company, for a term of five consecutive years up to December 31, 2023.
 - Re-appointment of Mr. Sridhar Srinivasan, Non-Executive, Independent Director of the Company, for a further term of five consecutive years from April 1, 2020 up to March 31, 2025.

Brief resumes of the Directors proposed to be re-appointed, the nature of their expertise, and the names of companies in which they hold directorships and Chairpersonships / Memberships of Board Committees, etc. are provided in the Notice to Members forming part of this Annual Report.

The Directors seeking re-appointment are not debarred from holding the office of Director pursuant to any Securities and Exchange Board of India ("SEBI") order. All the Independent Directors of the Company have given declaration under Section 149(6) of the Companies Act, 2013 and clause (b) of sub-regulation (1) of regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") confirming that they meet the criteria of independence. The Independent Directors have also confirmed that they have complied with Schedule IV of the Companies Act, 2013 and the Company's Code of Conduct.

During the year, there were no changes to the Key Managerial Personnel.

Number of meetings of the Board

Six meetings of the Board were held during the financial year 2019-20. For details of meetings of the Board, please refer to the Corporate Governance Report which is a part of this Annual Report.

Board Committees

The details pertaining to Committees of the Board are included in the Corporate Governance Report which is a part of this Annual Report.

Board policies

The Company has formed following policies as required by the Companies Act, 2013 and Listing Regulations:

| Particulars | Details | Website link for policy / details |
|---|--|---|
| Code of ethics and business conduct policy | This code defines and implements Oracle ethical business values and sets forth key rules and employee responsibilities. It also provides a context to handle any questions, issues, or concerns. The Code also covers the vigil mechanism and whistle blower policy. | https://www.oracle.com/assets/cebc-176732.pdf |
| Corporate social responsibility policy | This policy governs corporate social responsibility (CSR) program of the Company and covers details of CSR activities that it can undertake and how to implement, monitor, and report on these activities. | http://www.oracle.com/us/industries/financial-services/ofss-social-responsibility-2437852.pdf |
| Directors' appointment policy | This policy governs the manner of appointment of Directors of the Company. | https://www.oracle.com/a/ocom/docs/industries/financial-services/directors-appointment-policy.pdf |
| Dividend distribution policy | This policy details the factors to be considered by the Board while deciding or recommending any dividend. | http://www.oracle.com/us/industries/financial-services/ofss-dividend-distribution-policy-3125465.pdf |
| Familiarization program | Details of Company's familiarization program for its new directors including independent directors. | https://www.oracle.com/a/ocom/docs/industries/financial-services/financial-familiarization-program.pdf |
| Policy for determination of material events / information | This policy provides framework for determination of material events / information and sets out classes and types of material events / information that require disclosure to stock exchanges. | http://www.oracle.com/us/industries/financial-services/policy-determination-events-2889567.pdf |
| Policy for determining material subsidiaries | This policy defines material subsidiaries and describes related actions to be taken by the Company with significant transactions with them. | http://www.oracle.com/us/industries/financial-services/policy-determining-material-2615655.pdf |
| Record retention policy | The policy details the requirements for retention and destruction of the Company's records in hard copy and electronic media. | http://www.oracle.com/us/industries/financial-services/record-retention-policy-2889568.pdf |
| Related party transactions policy | This policy sets out the principles and processes that apply in respect of transactions entered into by the Company with a related party. | http://www.oracle.com/us/industries/financial-services/ofss-party-transactions-policy-2288144.pdf |
| Remuneration policy | This policy establishes principles governing remuneration of the directors, key managerial personnel and senior management of the Company. | http://www.oracle.com/us/industries/financial-services/ofss-remuneration-policy-4492725.pdf |

Related party transactions

All related party transactions entered into during the financial year 2019-20 were at an arm's length basis and in the ordinary course of business. Form AOC-2 providing the details of related party transactions of the Company is annexed as Annexure 2 to this report.

Risk management

The Board of Directors of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company and ensuring its effectiveness. The Audit Committee has additional oversight in the area of financial risks and controls. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The development and implementation of risk management policy has been covered in the Management's Discussion and Analysis Report, which forms part of this Annual Report.

Board evaluation

In accordance with the requirements of the Section 178 of the Companies Act, 2013 and Regulation 17(10) of the Listing Regulations, the Chairperson of the Nomination and Remuneration Committee conducts the Board evaluation. The performance of the Board and its committees was evaluated by seeking inputs from all the directors on the basis of various criteria such as its composition and structure, effectiveness of processes / meetings, information sharing and functioning, etc. The Board evaluation report for financial year 2019-20 was adopted at the Board Meeting held on May 14, 2020.

Subsidiaries

Your Company has subsidiaries in Greece, India, Chile, China, Mauritius, Singapore, the Netherlands and the United States of America.

Pursuant to provisions of Section 129(3) of the Companies Act, 2013, a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements of the Company.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the standalone and consolidated financial statements of the Company and separate annual accounts of its subsidiaries are available on the website of the Company at www.oracle.com/financialservices.

Research and development

Your Company continuously makes significant investments in research and development (R&D) to develop solutions that the global banking industry needs today and will need tomorrow. Your Company's dedicated in-house R&D centers have produced a number of products that are used by banks in more than 150 countries around the world for running their critical operations. The investment your Company makes in building applications, coupled with access to Oracle's technology, provides a unique competitive edge to its offerings.

Fixed deposits

During the financial year 2019-20, the Company has not accepted any fixed deposits within the meaning of Rule 2(c) of the Companies (Acceptance of Deposits) Rules, 2014, and as such, no amount of principal or interest was outstanding as of the date of the Balance Sheet.

Corporate governance

The Company has taken appropriate steps and measures to comply with all the corporate governance regulations and related requirements as envisaged under Regulation 27 of the Listing Regulations. A separate report on Corporate Governance along with a certificate from Mr. Prashant Diwan, Practicing Company Secretary, with regard to compliance of conditions of Corporate Governance as stipulated in Regulation 34(3) of the Listing Regulations forms part of this Annual Report.

A certificate from Mr. Prashant Diwan, Practicing Company Secretary, has also been received stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of the Company by the SEBI, Ministry of Corporate Affairs (MCA) or any such statutory authority.

Statutory Auditors' report

There are no qualifications, reservations, adverse remarks or disclaimers in the Statutory Auditors' report.

Secretarial audit report

In terms of Section 204 of the Companies Act, 2013, and the Rules made thereunder, the Board has appointed Mr. Prashant Diwan, Practicing Company Secretary, as Secretarial Auditor of the Company for the financial year 2019-20. The Secretarial Audit report is annexed as Annexure 3 to this report. The Secretarial Audit report does not contain any qualification, reservation or adverse remarks.

Business responsibility report

Business Responsibility Report for the financial year 2019-20 that forms part of this Annual Report has been hosted on the website of the Company at www.oracle.com/financialservices. The Members, who wish to obtain a copy of the report, may write to the Company Secretary at the Registered Office of the Company.

Employee Stock Option Plan (“ESOP”)

The Members at their Annual General Meeting held on August 14, 2001 approved grant of ESOPs to the employees / directors of the Company and its subsidiaries up to 7.5% of the issued and paid-up capital of the Company from time to time. This said limit was enhanced and approved up to 12.5% of the issued and paid-up capital of the Company from time to time, by the Members at their Annual General Meeting held on August 18, 2011. This extended limit is an all-inclusive limit applicable to the stock options (“options”) granted in the past and in force and those that will be granted by the Company under this authorization.

Pursuant to ESOP scheme approved by the Members of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the 2002 Employees Stock Option Scheme (“Scheme 2002”) for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the Initial Public Offering (IPO) and 619,000 options at various dates after the IPO (including the grants of options out of options forfeited earlier). On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme (“Scheme 2010”) for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 638,000 options (including the grants of options out of options forfeited earlier).

Pursuant to ESOP Scheme approved by the Members of the Company in their meeting held on August 18, 2011, the Board of Directors approved the Employees Stock Option Plan 2011 Scheme (“Scheme 2011”). Accordingly, the Company has granted 1,950,500 options under the Scheme 2011. Nomination and Remuneration Committee in their meeting held on August 7, 2014 approved Oracle Financial Services Software Limited Stock Plan 2014 (“OFSS Stock Plan 2014”). This plan enables issue of deeply discounted options at the face value and referred to as OFSS Stock Units (“OSUs”) for convenience. Accordingly, the Company granted 178,245 Stock Options and 854,453 OFSS Stock Units (“OSUs”) under OFSS Stock Plan 2014. The issuance terms of OSUs are the same as for Stock Options, employees may elect to receive 1 OSU in lieu of 4 awarded Stock Options at their respective exercise price.

As per the Scheme 2002, Scheme 2010 and Scheme 2011, each of 20% of the total options granted will vest on completion of 12, 24, 36, 48 and 60 months from the date of grant and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have an exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options.

In respect of the OFSS Stock Plan 2014, each of 25% of the total stock options / OSUs granted will vest on completion of 12, 24, 36 and 48 months from the date of grant and is subject to continued employment of the employee with the Company or its subsidiaries. Options / OSUs have an exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options / OSUs.

All the above mentioned Schemes of the Company are in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014. Applicable disclosures relating to Employees Stock Option Schemes, pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014, are placed on the website of the Company at www.oracle.com/financialservices.

The details of the options / OSUs granted under the Scheme 2002, Scheme 2010, Scheme 2011 and OFSS Stock Plan 2014 to eligible employees / directors from time to time are given below:

| Particulars | Scheme 2002 | Scheme 2010 | Scheme 2011 | OFSS Stock Plan 2014 | OFSS Stock Plan 2014 | Total |
|---|---|-----------------|-------------|----------------------|----------------------|-------------|
| | | | | | | |
| | | (Stock Options) | | | (OSUs) | |
| Pricing Formula | At the market price as on the date of grant | | | | ₹ 5 | |
| Variation of terms of option / OSUs | None | None | None | None | None | |
| Number of options / OSUs granted till March 31, 2020 | 5,167,920 | 638,000 | 1,950,500 | 178,245 | 854,453 | 8,789,118 |
| Number of options / OSUs lapsed and forfeited | (620,725) | (283,332) | (466,830) | (35,520) | (84,556) | (1,490,963) |
| Number of options / OSUs exercised | (4,547,195) | (320,833) | (1,128,728) | (9,037) | (308,411) | (6,314,204) |
| Total number of options in force as on March 31, 2020 | – | 33,835 | 354,942 | 133,688 | 461,486 | 983,951 |

VALUE RESEARCH PREMIUM

The details of OSUs granted to Directors and Senior Managerial Personnel under OFSS Stock Plan 2014 during the financial year ended March 31, 2020 are as follows:

| Particulars | Number of OSUs |
|---|----------------|
| i. Director: | |
| Mr. Chaitanya Kamat | 40,000 |
| Mr. Makarand Padalkar | 11,250 |
| ii. Senior Managerial Personnel: | |
| Mr. Arvind Gulhati | 4,750 |
| Mr. Avadhut Ketkar | 1,500 |
| Ms. Bindu Venkatesh | 2,200 |
| Mr. Dinakar Kini | 275 |
| Mr. Edwin Moses | 1,500 |
| Mr. Mahesh Rao | 1,250 |
| Mr. Mohamed Yacob | 200 |
| Mr. Onkarnath Banerjee | 1,000 |
| Mr. Rajaram Vadapandeshwara | 800 |
| Mr. Sanjay Bajaj | 250 |
| Mr. Surendra Shukla | 475 |
| Mr. Vikram Gupta | 4,750 |
| Mr. Vinayak Hampihallikar | 1,250 |
| Mr. Vivek Jalan | 1,200 |
| iii. Any other employee, who receives grant in any one year of options / OSUs amounting to 5% or more of options / OSUs granted during the year | Nil |
| iv. Identified employees who were granted options / OSUs, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | Nil |
| v. Diluted Earnings Per Share (EPS) pursuant to the issue of shares on exercise of option calculated in accordance with Indian Accounting Standard (IND AS) 33 'Earnings Per Share' issued by the Institute of Chartered Accountants of India | ₹ 183.62 |

All OSUs were granted at the face value of the equity shares. The compensation cost arising on account of stock options and OSUs is calculated using the fair value method. The reported profit is after considering the cost of employee stock compensation (₹ 432.01 million), using fair value method on stock options / OSUs.

A summary of the activities in the Company's Scheme 2010 and Scheme 2011 for the year ended March 31, 2020 are as follows:

| Particulars | Scheme 2010 | | Scheme 2011 | |
|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | Shares arising from Options | Weighted average exercise price (₹) | Shares arising from Options | Weighted average exercise price (₹) |
| Outstanding at the beginning of the year | 37,065 | 2,050 | 382,224 | 2,924 |
| Granted | - | - | - | - |
| Exercised | (3,230) | 2,050 | (14,082) | 2,545 |
| Forfeited | - | - | (13,200) | 3,112 |
| Outstanding at the end of the year | 33,835 | 2,050 | 354,942 | 2,932 |
| Vested Options | 33,835 | | 354,942 | |
| Unvested Options | - | | - | |
| Options vested during the year | - | | - | |
| Options forfeited / lapsed during the year | - | | 13,200 | |

VALUE RESEARCH PREMIUM

A summary of the activities in the Company's OFSS Stock Plan 2014 for the year ended March 31, 2020 are as follows:

| Particulars | Shares arising from OSUs | Weighted average exercise price (₹) | Shares arising from Options | Weighted average exercise price (₹) |
|--|--------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| Outstanding at the beginning of the year | 417,477 | 5 | 137,095 | 3,537 |
| Granted | 142,250 | 5 | - | - |
| Exercised | (82,594) | 5 | (245) | 3,241 |
| Forfeited | (15,647) | 5 | (3,162) | 3,600 |
| Outstanding at the end of the year | 461,486 | 5 | 133,688 | 3,536 |
| Vested OSUs / Options | 143,147 | | 109,056 | |
| Unvested OSUs / Options | 318,339 | | 24,632 | |
| Options vested during the year | 123,485 | | 23,685 | |
| Options forfeited / lapsed during the year | 15,647 | | 3,162 | |

The weighted average share price for the year over which stock options / OSUs were exercised was ₹ 3,001. Money realized by exercise of options / OSUs during the financial year 2019-20 was ₹ 43.66 million. The Company has recovered perquisite tax on the options / OSUs exercised by the employees during the year. The weighted average fair value of OSUs granted during the year was ₹ 3,168 calculated as per the Black Scholes valuation model as stated in 29(b) in the notes to accounts of the unconsolidated financials.

The details of Options unvested and Options vested and exercisable as on March 31, 2020 are as follows:

| | Exercise prices (₹) | Number of options / OSUs | Weighted average exercise price (₹) | Weighted average remaining contractual life (Years) |
|--------------------------------------|---------------------|--------------------------|-------------------------------------|---|
| Options /OSUs unvested | 5 | 318,339 | 5 | 8.3 |
| | 3,393 | 12,155 | 3,393 | 6.2 |
| | 3,579 | 4,300 | 3,579 | 7.2 |
| | 4,158 | 8,177 | 4,158 | 8.2 |
| Options /OSUs vested and exercisable | 5 | 143,147 | 5 | 6.3 |
| | 1,930 | 50,889 | 1,930 | 1.7 |
| | 2,050 | 33,835 | 2,050 | 0.4 |
| | 3,077 | 167,983 | 3,077 | 3.5 |
| | 3,127 | 136,070 | 3,127 | 2.8 |
| | 3,241 | 41,033 | 3,241 | 5.0 |
| | 3,393 | 35,045 | 3,393 | 6.2 |
| | 3,579 | 4,205 | 3,579 | 7.2 |
| | 3,987 | 26,050 | 3,987 | 5.6 |
| | 4,158 | 2,723 | 4,158 | 8.2 |
| | 983,951 | 1,611 | 5.5 | |

Employee Stock Purchase Scheme ("ESPS")

The Company had adopted the ESPS administered through a Trust with the name i-flex Employee Stock Option Trust ("the Trust") to provide equity based incentives to key employees of the Company. i-flex Solutions Trustee Company Limited is the sole Trustee of this Trust.

No allocation of shares to the employees have been made through the Trust since 2005 and all selected employees under the Trust have exercised their right of purchase of shares prior to March 31, 2014. In this regard, i-flex Solutions Trustee Company Limited had filed a petition in the Hon'ble Bombay High Court to seek directions for utilization of the remaining unallocated shares along with the other assets held by the Trust for the benefit of the employees of the Company. As per the order of the Hon'ble Bombay High Court dated August 1, 2016, the trust funds would be utilized for the benefit of the employees.

During the year, the Trust sold all the equity shares of the Company and as at March 31, 2020, the Trust did not hold any equity shares of the Company (March 31, 2019 - 27,160 equity shares).

Human resources

Human Resources are key assets of your Company and your Company invests continuously in imparting latest technology skills together with a range of soft skills to help them excel in their roles. Your Company has a strong performance management system together with a formal talent management processes to nurture employee careers, groom future leaders, and create a high performance workforce.

Your Company's total employees as at March 31, 2020, were 8,001 (March 31, 2019 - 8,054) including employees of subsidiaries.

The Company is committed to provide a healthy environment to all its employees and thus does not tolerate any discrimination and / or harassment in any form. The Company has in place a Prevention of Sexual Harassment (POSH) policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Frequent communication of this policy is done through various programs and at regular intervals. The Company has setup an Internal Complaints Committees (ICC), both at the registered office and at every location where it operates in India, which have men and women committee members as per the regulations, are chaired by senior woman employees and have external women representation.

The details of complaints pertaining to sexual harassment that were filed, disposed of and pending during the financial year are provided in the Corporate Governance report which is a part of this Annual Report.

Corporate social responsibility

Pursuant to Rule 8 of Companies (Corporate Social Responsibility) Rules, 2014, annual report on the Corporate Social Responsibility activities for the financial year ended March 31, 2020 is annexed as Annexure 4 to this report.

Internal financial controls

The Board has adopted adequate policies and procedures in terms of Internal Financial Controls commensurate with the size, scale and complexity of the Company's operations. Such policies and procedures ensure orderly and efficient conduct of business, adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control system commensurate with the size of the business operations of the Company, its compliance with risk management system, accounting procedures and policies at all locations of the Company and its subsidiaries. The Internal Audit team reports to the Audit Committee.

Directors' responsibility statement

As required under Section 134(5) of the Companies Act, 2013 ("the Act"), for the financial year ended on March 31, 2020, the Directors hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. 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 at the end of the financial year and of the profit of the Company for that period;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis;
- e. the directors, had laid down internal financial controls followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f. 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.

Auditors

The Members of the Company have appointed M/s. Mukund M. Chitale & Co., Chartered Accountants, (ICAI Firm Registration No. 106655W), as the Statutory Auditors of the Company till the conclusion of the 33rd Annual General Meeting to be held in the year 2022.

Reporting of frauds by Auditors

During the year under review, neither the Statutory Auditors nor the Secretarial Auditor has reported to the Audit Committee under Section 143(12) of the Companies Act, 2013 any instances of fraud committed against the Company by its officers or employees.

Cost records and cost audit

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

Material changes and commitments

There have been no material changes and commitments which affect the financial position of the Company which have occurred between the end of the financial year to which the financial statements relate and the date of this report.

Significant and material orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The particulars as prescribed under sub-section (3)(m) of Section 134 of the Companies Act, 2013, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are furnished hereunder:

Conservation of energy

The Company strives to conserve energy and use energy efficient computers and illumination systems. The Company also deploys sophisticated office automation and management equipment which optimizes energy consumption. During the year, the Company deployed renewable energy to both reduce our CO₂ emissions and energy costs through an Open Access option (via India Energy Exchange) at our Bengaluru office. As part of an initiative to support Oracle's global sustainability goal of reducing waste to landfill, a wet waste compost machine has been installed at the Bengaluru office, the excess manure is used for tree plantation projects.

Technology absorption

The Company regularly strives to utilize newer technologies with a view to conserve the energy and create an environmentally friendly work environment. The initiatives taken by the Company are summarized below:

Network: The Company continues to invest in upgrades and modernization of the networks thereby increase uptime of the network infrastructure, increase capacity and enable greater collaboration. Network infrastructure is being migrated to the next generation cloud platform and network tooling, processes are being made seamless between the applications and the cloud platforms thereby enabling unified operational process, while securing the network infrastructure, to provide a secure remote computing environment for our employees and customers.

Cloud deployment: All corporate applications are hosted on the Oracle next generation cloud. This move significantly reduces infrastructure costs as well as reduces space and power utilization across the globe.

Business Resiliency: Your Company has successfully implemented disaster recovery initiatives for critical infrastructure services. This was been adequately tested during this pandemic crisis and minor deficiencies have been mitigated and the plan has been made more efficient and effective.

Virtual presence: Your Company has made significant investments in providing a near virtual working environment for its employees through multiple collaboration tools. Multifunctional and multiple methods of collaboration across geographies, has enhanced business operations. This enhances communication across the globe, minimizing travel, increasing efficiencies from a support perspective as well by making self-service operations easier and effective. Conference room facilities have also been enhanced and standardized across the globe to ensure smooth and seamless operations from any Oracle location.

All these initiatives would provide a more secure and efficient operating environment with the utilization of innovative technology.

Foreign exchange earnings and outgo:

(Amounts in ₹ million)

| | |
|--|-----------|
| Foreign exchange earnings | 31,932.57 |
| Foreign exchange outgo (including capital goods and other expenditure) | 2,074.39 |

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

Your Company has established an extensive global presence across leading markets through its sales and marketing network. The Company will continue to focus on tapping various potential markets available globally. Experienced sales and marketing specialists focus on building strong international business presence to develop new export markets for your Company.

Prospects

Never before has technology been so critical to the financial services industry. Increased competition from FinTechs/tech giants, consumer demand for instant, digital delivery of products and services, fresh onslaught of financial crime and fraud, a slew of new regulations are all pressing financial institutions to embrace new technologies and find winning strategies.

Digital banking transformation, driven primarily by social, mobile and analytics, is fast becoming table stakes. It can no longer guarantee growth and market leadership in the decade ahead. As customer expectations, business dynamics and regulations continue to evolve, banks will need to invest in new capabilities to drive the next wave of transformation. This next wave is essential to innovate and differentiate in new ways and do so profitably.

Several new technologies can offer banks the ability to go beyond 'conventional digital' and leverage truly next generation capabilities. In the next decade, banks and financial services firms will need to harness emerging technologies such as distributed ledgers, Internet of Things ("IoT"), APIs, Artificial Intelligence, machine learning, Robotic Process Automations to transform customer and business value and accelerate profitable growth. As opposed to just focusing on the technologies per se, financial institutions must leverage them as a means to an end, i.e. to equip and enable staff and business lines to transform products, services, engagement and experiences at unparalleled scale and scope. The challenge for financial institutions lies in their ability to take advantage of these technologies and find new ways to collaborate, exchange and combine data and services to generate never-seen-before innovation, efficiencies, and value.

Technology plays a vital role in helping financial institutions reduce risks, and drive process efficiencies in regulatory compliance and fraud detection. Financial institutions are increasingly turning towards advanced Financial Crime and Compliance Management approaches that leverage graph analytics, machine learning and other AI techniques to improve detection, drive down the incidence of false positives, and thereby reduce associated costs. The ability to continually discover emerging risks and new criminal patterns, coupled with the capacity to rapidly operationalize newly developed models into production, is a necessary requirement for modern financial crime platforms.

Your Company has made significant investments in leveraging new technologies to sharpen our products and services and ensure they are future ready. Our solutions come embedded with natural language processing and machine learning capabilities for elevated customer experience and intelligent contextual response automation. We have introduced Chatbots that banks can use to scale customer interactions by offering automated engagement to millions of customers at the same time. We offer augmented reality, IoT, API and biometric capabilities and a microservices based architecture and componentized solution portfolio designed for cloud and on premise. With our data-driven solutions, financial institutions can get the in-depth insights make better business-critical decisions. Your Company's commitment to innovation is a driving factor that keeps it in the forefront of the information technology industry.

Statement on compliance of applicable Secretarial Standards

The Company complies with all applicable mandatory provisions of Secretarial Standards issued by the Institute of Company Secretaries of India.

Employee particulars

The information required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 is given below:

For statistically relevant computation of median value of employee remuneration, employees who have served the entire 12 months in the corresponding fiscal year were considered. The expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers is found by arranging all the observations from lowest value to highest value and picking the middle one; and if there is an even number of observations, the median is the average of the two middle values. The remuneration used for the analysis in this section includes the details of employees and only of those Directors to whom the remuneration has been paid by the Company and excludes remuneration of the employees of overseas branches, and the (perquisite) value of the difference between the fair market value and the exercise price on the date of exercise of options, to make the comparisons relevant.

i. Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:

| Name of the Director | Ratio to median remuneration |
|---|------------------------------|
| Non-Executive, Independent Directors | |
| Mr. S Venkatachalam | 3 |
| Mr. Richard Jackson | 3 |
| Mr. Sridhar Srinivasan | 2 |
| Ms. Jane Murphy | 3 |
| Executive Director | |
| Mr. Chaitanya Kamat | 32 |
| Mr. Makarand Padalkar* | Not Applicable |

*Appointed as Whole-time Director and Chief Financial Officer effective from May 9, 2019.

ii. The percentage increase in remuneration of each director, chief executive officer, chief financial officer and company secretary in the financial year:

| Name and Title | Percentage increase / (decrease) of remuneration in FY 2020 as compared to FY 2019 |
|--|--|
| Non-Executive, Independent Directors* | |
| Mr. S Venkatachalam | 9% |
| Mr. Richard Jackson | 30% |
| Mr. Sridhar Srinivasan | 26% |
| Ms. Jane Murphy | Not Applicable |
| Managing Director and Chief Executive Officer[#] | |
| Mr. Chaitanya Kamat | 32% |
| Whole-time Director and Chief Financial Officer[@] | |
| Mr. Makarand Padalkar | Not Applicable |
| Company Secretary and Compliance Officer[#] | |
| Mr. Onkarnath Banerjee | 8% |

*The remuneration structure of the Non-Executive, Independent Directors was revised in February 2019.

[#]Excludes the (perquisite) value towards difference between the fair market value on the date of exercise of options and the exercise price.

[@]Appointed as Whole-time Director and Chief Financial Officer effective from May 9, 2019.

iii. The percentage increase in the Median Remuneration of Employees in fiscal 2020, as compared to fiscal 2019:

14%.

iv. The number of permanent employees on the rolls of the Company:

6,474 as on March 31, 2020.

- v. **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

During the financial year 2019-20, the average remuneration of employees other than the key managerial personnel increased by 10% over the previous year. During the same period, average remuneration of the key managerial personnel increased by 24%.

- vi. **Affirmation that the remuneration is as per the remuneration policy of the Company:**

The remuneration is as per the remuneration policy of the Company.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, 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 Companies Act, 2013, the said annexure is open for inspection and any Member interested in obtaining a copy of the same may write to the Company Secretary.

Response to COVID-19

During March 2020, as the COVID-19 pandemic developed rapidly into a global crisis, the Company immediately switched to a 100% work from home for all employees to ensure their well-being and safety. We are conducting business with some modification to employee travel and employee work locations, including but not limited to, work from home. Our robust infrastructure, processes, and most importantly our people, ensured that the Company continues to deliver the commitments with minimal disruptions caused by the global COVID-19 pandemic. It is, however, not clear what the potential long-term effects of any such alterations or modifications may have on our business, including the effects on our customers and prospects.

The COVID-19 pandemic is also resulting in a series of government interventions around the globe to help alleviate the economic distress, and our consulting and support teams have seamlessly helped our customers to meet these challenges. The agile capabilities of our products were leveraged by the customers to respond to a dynamically evolving situation.

The Company's processes enable us to deliver our support, services and software, anytime anywhere and from any location.

While we experienced, and may continue to experience, some delays in new deal signings, especially from regions with 'in-person' cultures for Board Meetings and financial institutions conserving budgets in the face of cost pressures, our value proposition remains very relevant, and even more so when the economic recovery begins. The full effects of the pandemic on the global economy and our business are currently unknown and we are watchful of the developments.

Being conscious of the social responsibility, the Company has directed its FY21 CSR efforts to projects aimed at reducing distress due to COVID-19. In addition, the Company also recently contributed an amount of ₹12.5 Crores in the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), towards COVID-19 relief.

Acknowledgements

The Directors place on record their appreciation for the excellent contributions made by the employees of the Company through their commitment, co-operation and diligence. The Directors gratefully acknowledge the continued support received by the Company from its stakeholders, customers, members, vendors, bankers and regulatory authorities during the year. The Directors also wish to thank the Government of India and the State Governments in the jurisdictions it operates and their various agencies, and departments.

For and on behalf of the Board

S Venkatachalam

Chairperson

DIN: 00257819

June 24, 2020