

POLICY ON RELATED PARTY TRANSACTIONS AND ON DEALING WITH SUCH TRANSACTIONAL SUBSIDIARIES

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1. INTRODUCTION

The Board of Directors (the “Board”) of Firstsource Solutions Limited (the “Company”) has adopted the following Policy and procedures with regard to Related Party Transactions as defined below. The Board will review and may amend this Policy from time to time.

This Policy will be applicable to the Company. This Policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI LODR’), SEBI LODR (Amendment) Regulations, 2018 (‘SEBI LODR’) and any other laws and regulations applicable to the Company.

2. POLICY OBJECTIVE

This Policy is framed based on Listing Agreement entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

3. DEFINITIONS

“Act” means the Companies Act, 2013.

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Associate Company” means a company as defined under section 2(6) of the Act and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

“Audit Committee or Committee” means a committee constituted by the Board of Directors of the Company, from time to time, under provisions of SEBI LODR and or the Companies Act, 2013.

“Board of Directors” or “Board” means the collective body of the Board of Directors of the Company, as constituted from time to time.

“Industry Standards” shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” as notified by SEBI vide its circular dated February 14, 2025 as amended from time to time.

“Specified Related Party Transaction” shall mean A related party transaction as specified in Section 188 (1) of the Act read with Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014.

“Control” shall have the same meaning as defined in section 2(27) of the Act and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“Key Managerial Personnel” means the key managerial personnel (“KMP”) of the Company as defined in section 2(51) of the Act and the Rules made thereunder

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

“Policy” means Policy on Related Party Transactions and also on dealing with Related Party Transactions.

“Relative” with reference to any person means a relative as defined in section 2(77) read with section 203 of the Act and Rules made thereunder.

“Material Modification” shall be defined by the audit committee of the Company.

“Related Party”:

Any party shall be considered as related to the Company if:

- (i) such party is a related party under Section 2(76) of the Act; or
 - (ii) such party is a related party under the applicable accounting standards; or
- such party is a related party under clause zb of SEBI Listing Regulations.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding ten percent or more of shareholding in the listed entity in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.

“Related Party Transaction”

A. Under Regulation 2(zc)

A related party transaction (“RPT”) means a transaction involving a transfer of resources, services or obligations between:

- i. the Company or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. Sub-division or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board;
- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time;

For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- e) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors;
Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

B. Under Section 188 of the Act

As per section 188(1) of the Act, any contract or arrangement with a related party with respect to the following shall be considered as a RPT:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof of the Company.

The above definition is subject to any amendment(s) made to Section 188 of the Act or applicable accounting standard(s) or Regulation 2(1)(zc) and / or any other applicable regulation(s) of the Listing Regulations from time to time, in which case the above definition shall deem to refer to such amended provision(s) of the Act or applicable accounting standard(s) or the Listing Regulations as prevailing from time to time.

“Material Related Party Transaction”

A) Under Regulation 23 of SEBI LODR

A transaction with a related party shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Notwithstanding the above, A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

The above definition is subject to any amendments made to Regulations 23 (1), 23 (1A) and any other applicable Regulation(s) of the Listing Regulations from time to time, in which case the above definition shall deem to refer to such amended Regulations as prevailing from time to time.

Under Section 188 of the Act

As per section 188 of the Act, a transaction shall be considered material if it exceeds such sum as prescribed under the Rules made under first proviso to section 188(1) of the Act as mentioned below, or any subsequent amendment thereto:

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 as mentioned above, with criteria as mentioned below –

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent more of net worth of the Company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind amounting to ten percent or more of turnover of the Company as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent more of the turnover of the Company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188.

Explanation— It is hereby clarified that the limits specified in sub-clauses (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188;

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation –

(1) The Turnover or Net Worth referred to above shall be computed on the basis of the Audited Financial Statement of the Company for preceding financial year.

(2) In case of a wholly owned subsidiary, the resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the Company.

“Office or Place of Profit” means any office or place:(i) where such office or place is held by a Director, if the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;(ii) where such office or place is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Subsidiary company or subsidiary” means a company as defined in Section 2(87) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI LODR or any other applicable law or regulation.

4. RPT INDUSTRY STANDARDS:

1. The RPT Industry Standards shall be applicable for all RPTs placed for review and approval by the Audit Committee of the listed entity, in terms of Regulation 23(2) and 23(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”).
2. The RPT Industry Standards shall be applicable in case of material RPTs as defined under Regulation 23(1) & 23(1A) of the LODR Regulations, which are placed for approval of both the Audit Committee and the shareholders.
3. The RPT Industry Standards shall not be applicable to:
 - a. Transactions exempted under Regulation 23(5) of the LODR Regulations;
 - b. Quarterly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of the LODR Regulations; and
 - c. Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) do not exceed Rs. One Crore.
4. A related party transaction, whether individually or taken together with previous transaction(s) during a financial year (including transaction(s) which are approved by way of ratification), do not exceed 1% of annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity or Rupees Ten Crore, whichever is lower, the listed entity shall provide ‘Minimum information to the Audit Committee for approval of Related Party Transactions.

5. APPROVAL PROCESS

The Company will enter into any RPTs and subsequent material modifications only with the prior approval of the Audit Committee of the listed entity. Provided that only those members of the Audit committee, who are independent directors, shall approve related party transactions.

Upon the Industry Standards becoming effective, the management shall categorize the Related Party Transactions under the following categories as per any Industry Standards and place applicable disclosures before the Audit Committee seeking approval:

- (a) Material Related Party Transactions.
- (b) Other Related Party Transactions, but with promoter or promoter group or person/entity in which promoter or promoter group has concern or interest.
- (c) Residual Related Party Transactions.

A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the Audit Committee shall not be required for the below:

- i. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of the Listing Regulations are applicable to such listed subsidiary.
- ii. Related Party Transactions of unlisted subsidiaries of listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
- iii. transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

- iv. transactions entered into between two wholly owned subsidiaries of the company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- v. remuneration and sitting fees paid by the Company or its subsidiaries to its directors, key managerial personnels or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.

Omnibus Approval

- a. The Audit Committee shall laydown the criteria for granting omnibus approval for related party transactions proposed to be entered by the listed entity or its subsidiary in line with the Policy on RPTs and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - i. repetitiveness of the transactions (in past or in future);
 - ii. Justification for the need of omnibus approval.
- c. Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Duration of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
- d. In such cases where the need for RPT cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction;

e. The Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approval given;

f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Agenda for Audit Committee to consider and approve Related Party Transactions

The agenda for the Audit Committee to consider and approve a Related Party Transaction, shall have the minimum information as prescribed (i) under para (A) of Section III-B of the SEBI Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities dated 11 November 2024 or any subsequent modifications to it: and (ii) as prescribed under any 'Industry Standards on minimum information to be provided for review of the Audit Committee and shareholders for approval of a related party transaction' ("Industry Standards") as and when the Industry Standards become applicable.

Ratification of Related Party Transactions

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation
- v. any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Approval for Material RPTs and subsequent material modifications:

(A) Material RPTs falling under Regulation 23 of SEBI LODR

If a Related Party Transaction is:

- (I) a Material Related Party transaction as defined in this Policy, or
- (II) not in the ordinary course of business, or not at arm's length price and a Specified Related Party Transaction as defined in this Policy;

it shall require approval of the shareholders of the Company.

However, prior approval of the shareholders shall not be required for a related party transaction to which the listed subsidiary is a party, but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

The requirement of shareholders' approval shall also not be applicable for transactions in respect of which any relaxations/exemptions are provided in the Act and/or the Listing Regulations including in any amendment thereof.

The Statement to Notice to the shareholders to consider and approve a Related Party Transaction, shall have the minimum information as prescribed (i) under Rule 15 of The

Companies (Meetings of Board and its Powers) Rules, 2014; (ii) under para (B) of Section III-B of the SEBI 'Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities' dated 11th November 2024 or any subsequent modifications to it: and (iii) as prescribed under any 'Industry Standards on minimum information to be provided for review of the Audit Committee and shareholders for approval of a related party transaction' ("Industry Standards") as and when the Industry Standards become applicable.

A related party transaction, whether individually or taken together with previous transaction(s) during a financial year (including transaction(s) which are approved by way of ratification), do not exceed 1% of annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity or Rupees Ten Crore, whichever is lower, the listed entity shall provide 'Minimum information to the Shareholders for approval of Related Party Transactions.

The above requirements shall not be applicable to transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) which does not exceed Rs. One Crore.

B) Material RPTs falling under section 188 of the Act

All Material RPTs falling under section 188 of the Act shall require prior approval of the shareholders of the Company by way of a resolution.

Section 188 of the Act does not apply to transactions, which are entered into by the Company in its ordinary course of business and on an arm's length basis. Such transactions do not even require the approval of Board of Directors of the Company.

No member of the Company shall vote on any resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.

All RPTs falling under section 188 of the Act, which is either not in the ordinary course of business or is not at arm's length or both, other than Material RPTs, shall also require approval of Board of Directors of the Company besides approval of the Audit Committee

Materiality of Transaction:

In relation to all Material Related Party Transactions and/or any material modifications thereto, following procedure shall be followed:

The Audit Committee shall be responsible to verify materiality threshold of the Company in the meeting where annual consolidated financial statements of the Company are adopted. Such threshold would be relevant for identifying material transactions or any material modification entered / proposed to be entered with a related party in next year.

The Audit Committee shall verify the potential Related Party Transactions that may exceed the materiality threshold for a particular financial year on a progressive basis.

The Audit Committee/Board shall review the Material Related Party Transactions or any material modification as per the procedure laid down in the Policy.

The Board shall place the Material Related Party Transactions before the shareholders for their approval.

6. Decision regarding transaction in ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the RPTs referred to them for approval, shall after considering the materials placed before them, shall decide whether the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee decides the transaction not being in the ordinary course of business or not on arm's length basis or is not able to arrive at such a decision, the same shall be referred to the Board for approval.

7. Disclosures & Reporting:

A. Disclosure by Directors/ KMPs and Disclosures by the Company

1. All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
2. Each Director and KMP of the Company shall promptly notify the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
3. The Company shall maintain Register of all the disclosures made by the Directors and KMPs in the prescribed form and containing prescribed particulars and after entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.
4. The Company shall disclose the Policy on dealing with RPTs on its website and a weblink thereto shall be provided in the Annual Report.
5. Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under listing agreement.
6. As per Section 188(2) of the Act, every contract or arrangement entered into by the Company under Section 188(1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

B. Disclosures of Related Party Transactions entered with the Company

Each Director and KMP of the Company is responsible for providing declaration/ notice in the prescribed Form to the Company about RPT(s) involving the Company and him/ her or an entity wherein he/ she or his / her relative is interested, including any additional information about the transaction that the Company may reasonably request. The Company will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

The Company shall disclose details of Related Party transactions every six months within 15 days from the date of publication of its standalone and consolidated financial results to the Stock Exchanges and publish the same on its website.

8. Guiding Principles for approval of a Related Party Transaction by the Board/ Audit Committee thereof

To review a RPT, the Board/ Audit Committee will be provided with all the relevant information pertaining to the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a RPT, the Board/ Audit Committee will consider the following factors:

1. Whether the terms of the RPT are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
2. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
3. Whether the RPT would impair the independence of an otherwise Independent Director;
4. Whether the RPT would present an improper conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director, KMP or other Related Party's interest in the transaction and the on going nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

9. Consequences of non-compliance of Policy for Related Party Transactions:

1. As per section 188(3) of the Act, where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into,

such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

2. In case the Board/ Audit Committee determines not to ratify a RPT that has been commenced without approval, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a RPT, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy.
3. As per section 188(4) of the Act, without prejudice to anything contained in section 188(3) of the Act it shall be open to the Company to proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the provisions of section 188 of the Act for recovery of any loss sustained by it as a result of such contract or arrangement.
4. As per section 188(5) of the Act, any Director or any other employee of a Company, who had entered into or authorised the contract or arrangement in violation of the provisions of section 188 of the Act shall be liable to a penalty of twenty-five lakh rupees
5. Non-compliance of this Policy by the Company, Director, KMP or any other employee or officer of the Company may also lead to penal consequences under the LODR, Securities Contract Regulation Act, 1956 or other applicable provision of any other relevant legislation.

10. Review and amendments

The Board, may review or amend this Policy at least once every three years or at any time and establish further rules or procedures, periodically and as required under the Act or SEBI LODR, to give effect to this Policy.