

# POLICY ON MATERIAL SUBSIDIARIES

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## 1. INTRODUCTION

The Audit Committee of the Board of Directors of Firstsource Solutions Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries as defined below. The Audit Committee may review and amend this policy from time to time.

This Policy is in terms of Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) with the Stock Exchanges. Further, SEBI vide Gazette Notification dated 9th May 2018 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 i.e. SEBI (LODR) (Amendment) Regulations, 2018.

## 2. POLICY OBJECTIVE

This policy is framed based on Listing Regulations entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its subsidiary companies.

## 3. DEFINITIONS

**“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Regulations and The Companies Act, 2013 or under any previous Companies Act.

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

**“Company”** means Firstsource Solutions Limited, a company incorporated under the Companies Act, 1956.

**“Independent Director”** means a director of the Company, not being a Managing Director & CEO, whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Regulations.

**“Policy”** means Policy on Material Subsidiary.

**“Material Subsidiary”** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

**“Significant Transaction or Arrangement”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

**“Subsidiary”** shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

## 4. POLICY

1. A subsidiary shall be considered a Material Subsidiary, if the following condition is satisfied:

If the subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

2. At least one Independent Director on the Board of Directors of the listed entity shall be a Director on the Board of Directors of an unlisted Material Subsidiary, whether incorporated in India or not.

**Explanation:** For the purpose of this requirement, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

3. The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
4. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board meetings of the Company.
5. The management of the unlisted subsidiary shall periodically basis bring to the attention of the Board of the listed entity, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.
6. The management shall present to the Audit Committee annually the list of all subsidiaries together with the details of Material Subsidiary, if any, as defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of at least one Independent Director on the Board of Material Unlisted Indian Subsidiary.
7. The Company and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and annex with its Annual Report, a secretarial audit report, given by a company secretary in practice.

## 5. DISPOSAL OF SHARES/ASSETS IN MATERIAL SUBSIDIARY

The Company, without the prior approval of the members by Special Resolution, shall not:

- a. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- b. cease the exercise of control over the Material Subsidiary;

except in cases {(for (a) and (b) above} where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

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- c. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

## 6. DISCLOSURE

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.