
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED DECEMBER 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 001-33089

EXLSERVICE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

82-0572194
(I.R.S. Employer
Identification No.)

**280 PARK AVENUE, 38TH FLOOR,
NEW YORK, NEW YORK**
(Address of principal executive offices)

10017
(Zip code)

(212) 277-7100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class:</u>	<u>Name of Each Exchange on Which Registered:</u>
Common Stock, par value \$0.001 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2011, the aggregate market value of common stock held by non-affiliates was approximately \$377,789,120.

As of February 29, 2012, there were 31,402,714 shares of the registrant's common stock outstanding (excluding 330,852 shares held in treasury and 63,834 shares of restricted stock), par value \$0.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year end of December 31, 2011.

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PART I.

ITEM 1. Business

We are a leading provider of outsourcing and transformation services and focus on providing our clients with a positive business impact and enhancing their long term financial value. We customize our services to improve the economics of business performance and transform organizations to be leaner and more flexible. Our outsourcing services provide front-, middle- and back-office processing services for our primarily U.S.-based and U.K.-based clients. Outsourcing services involve the transfer to us of select business operations of a client, such as claims processing, finance and accounting and customer service, after which we administer and manage the operations for our client on an ongoing basis. We also offer a number of transformation services that include decision analytics, finance transformation and operations and process excellence services. These transformation services help our clients improve their operating environments through cost reduction, enhanced efficiency and productivity initiatives, and improve the risk and control environments within our clients' operations whether or not they are outsourced to us. We serve primarily the needs of Global 1000 companies in the insurance and healthcare, utilities, banking and financial services, transportation and logistics and travel sectors.

Our services for each of the sectors include:

Outsourcing				
Insurance and Healthcare <ul style="list-style-type: none"> • Policy Administration • Premium and Benefits Administration • Claims Handling • Clinical Services • Legal Support 	Utilities <ul style="list-style-type: none"> • Customer Events • Metering and Billing • Debt Recovery • Imbalance Management • Account Management 	Banking and Financial Services <ul style="list-style-type: none"> • Mortgage Servicing • Retail Banking and Credit Cards • Consumer Finance • Commercial Lending • Investment Management 	Transportation and Logistics <ul style="list-style-type: none"> • Supply Chain and Operations Support • Customer Service • Finance • Revenue Management • Logistics 	Travel <ul style="list-style-type: none"> • Order Fulfillment • Client and Supplier Settlement • Reservations • Travel Accounting • Advisory and Analytics
Finance and Accounting Outsourcing				
• Accounts Receivables	• Accounts Payables	• Payroll Management	• Accounting and Reporting	• Treasury and Taxes
Transformation				
Decision Analytics <ul style="list-style-type: none"> • Marketing and Customer Analytics • Risk Analytics • Operations Analytics • Finance and Investment Analytics 	Finance Transformation <ul style="list-style-type: none"> • Governance, Risk and Compliance • Accounting Advisory • Process Optimization • Systems Advisory • Organization Design 	Operations and Process Excellence <ul style="list-style-type: none"> • Process Reengineering • Strategic Cost Management Programs • Enterprise Lean Six Sigma Deployment • Project Management Office Support 		

We combine in-depth knowledge of the industry sectors in which we focus with proven expertise in transferring business operations to our offshore and onshore delivery centers, and administering and managing such operations. We have successfully transferred more than 780 processes covering a broad array of products and services to our operations centers, including approximately 150 new processes that were transferred to us in 2011.

Our largest clients in 2011 were The Travelers Companies, Inc. (Travelers), Centrica plc (Centrica), and American Express Company (American Express). Other clients include 68 global insurance and healthcare companies, 27 global banks and financial services companies, six European utility companies, seven transportation and logistics services providers and a global travel management company. Our operations centers are located in India, the Philippines, the Czech Republic, the U.S., Bulgaria, Malaysia and Romania. Our geographic footprint enables us to leverage a large pool of highly qualified and educated technical professionals who are able to handle complex processes and services that require functional skills and industry expertise.

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While a majority of our professionals provide services in the English language, our operations in the Czech Republic, Bulgaria and Romania have provided us with multi-lingual delivery capabilities. We believe we can offer consistent high quality services at substantially lower costs than those available from U.S.- or U.K.-based in-house facilities or U.S.- or U.K.-based outsourcing providers. As of December 31, 2011, we had a headcount of approximately 18,900 employees, a substantial portion of whom are based in India. Our operations platforms are supported by a state-of-the-art infrastructure that can be expanded to meet each client's needs. We market our services directly through our sales and marketing and client management teams, which operate outside of the U.S. and Europe. Our senior managers have extensive experience in the industry sectors on which we are focused and are well versed in the business practices of leading multinational corporations.

We believe our reputation for operational excellence is widely recognized by our clients and is an important competitive advantage. We use Lean and Six Sigma, which are data-driven methodologies for eliminating defects in any process, to identify process inefficiencies and improve productivity in client and support processes. We deliver continued process enhancements by soliciting and implementing process improvements from employees and through our proprietary software tools. As a part of our commitment to quality, information security and employee safety, several of our delivery centers are certified to various standards, such as the ISO 9001:2008 standard for quality management, the ISO 27001:2005 standard for our information security management system and the OHSAS 18001:2007 standard for our occupational health and safety management processes. Our client operations processes in our operations center in the Philippines are certified as compliant with the Payment Card Industry Data Security Standard. We have received an unqualified SSAE 16 (SOC I – Type II) report on general controls from Ernst & Young Pvt. Ltd., an affiliate of our independent registered public accounting firm, for several delivery centers and certain client operations processes.

Services

Outsourcing Services

Our outsourcing services are structured around industry-focused business process outsourcing (BPO) services, such as insurance and healthcare, utilities, banking and financial services, transportation and logistics and travel sectors, as well as cross-industry BPO services, such as finance and accounting services.

Insurance and Healthcare. Within the life insurance, property and casualty insurance, health and disability insurance and retirement services business lines, we have expertise in providing services in the areas of claims processing, premium and benefit administration, agency management, account reconciliation, policy research, underwriting support, new business processing, policy servicing, trades/sub-account transactions, add-on processing, premium audit, billing and collection and customer service. We have acquired significant experience in transferring and managing processes in these areas. As a result of our acquisition of Trumbull Services, LLC (Trumbull) on October 1, 2011 (the Trumbull Acquisition), we acquired the capability to provide subrogation services as well as access to a software platform called SubroSource™ for providing subrogation services to property and casualty insurers. In connection with our acquisition of Professional Data Management Again, Inc. (PDMA) in 2010, we acquired an insurance policy administration platform called LifePRO®. Approximately 40 insurance companies use LifePRO® to administer their life insurance, health insurance, annuities and credit life and disability insurance policies. Our services include:

Insurance and Healthcare				
Policy Administration	Premium and Benefits Administration	Claims Handling	Clinical Services	Legal Support
<ul style="list-style-type: none">• Customer Service• Lapses and Renewals• Mid-term Adjustments• Endorsements• Account Reconciliations• Conversions• Cancellations	<ul style="list-style-type: none">• Payment Mode Changes• Collections• Calculation and Revision of Premium• Refunds• Research and Recovery	<ul style="list-style-type: none">• First Notification of Loss• Examination• Adjudication• Settlement• Customer Correspondence	<ul style="list-style-type: none">• Medical Record Summarization• Utilization Review• Clinical Claims Review• Disability Management• Disease Management• Healthy Lifestyle Coaching	<ul style="list-style-type: none">• Contract Management• Litigation Support• Legal Research• Administrative Support and Compliance Services

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Utilities. We have expertise in providing end-to-end back-office processing for customer operations, metering-related services and billing, debt recovery operations, imbalance management and account management. A large part of these services involves complex processing of transactions that cannot be managed by customary tools or methodologies. Our services include:

Utilities				
Customer Events	Metering and Billing	Debt Recovery	Imbalance Management	Account Management
<ul style="list-style-type: none"> • Acquisitions and Growth Campaigns • Accounts Set-up and Welcome Calls • Tenancy Transfers and Corrections • Customer Withdrawal Management 	<ul style="list-style-type: none"> • Account Maintenance • Identification of Unbilled Revenue • Billing and Invoicing • Missing Payments and Refunds • Payment Schemes • Device Management 	<ul style="list-style-type: none"> • Inbound Recovery • Outbound Collections • Warrant Management • Disconnections • Field Representative Support 	<ul style="list-style-type: none"> • Clear Imbalance • Transfer Balance • Write-off Balance • Reconciliation • Root-cause Analysis 	<ul style="list-style-type: none"> • Service Detail Updates • Address Change Management • Deceased Customer Handling • Vacant Premises Handling

Banking and Financial Services. We have expertise in servicing and processing various banking products, including residential mortgage lending, retail banking, credit cards, consumer finance, commercial lending and investment management. Our services include:

Banking and Financial Services				
Mortgage Servicing	Retail Banking and Credit Cards	Consumer Finance	Commercial Lending	Investment Management
<ul style="list-style-type: none"> • Origination • Underwriting and Closing • Post Funding Servicing • Escrow Administration • Secondary Market Services 	<ul style="list-style-type: none"> • New Account Set-up • Transaction Processing • Query Resolution • Address Change • E-mail • Document Management 	<ul style="list-style-type: none"> • Account Processing • Verification • Tracking and Recording • Query Handling • Loan Payoff • Collateral Tracking 	<ul style="list-style-type: none"> • Customer Acquisition and Loan Origination • Application Processing and Underwriting • Customer and Account Management • Electronic Documentation Management 	<ul style="list-style-type: none"> • Cash Management and Treasury • Portfolio Reconciliation • Investor Reporting • Portfolio Reporting • Brokerage Reconciliation and Payments

Transportation and Logistics. We have expertise in processing transactions, including end-to-end supply chain management, warehousing, transloading, transportation management and international logistics services. Our services include:

Transportation and Logistics				
Supply Chain and Operations Support	Customer Service	Finance	Revenue Management	Logistics
<ul style="list-style-type: none"> • Network Optimization • Terminal performance Management • Freight Bill Entry • Terminal Audit • Track and Trace • Freight Audit and Payment 	<ul style="list-style-type: none"> • Customer Advisory • Cargo Tracking • Web Support • Customer Complaints Administration • Bookings • Claims Management 	<ul style="list-style-type: none"> • Account Receivable • Account Payable • Payroll and Benefits Processing • General Ledger • Bank Reconciliation 	<ul style="list-style-type: none"> • Freight Classification • Freight Bill Audits • Invoice Audits and Resolution • Freight Payment Audits • Freight Payment Agency Reject Management • Cash Application 	<ul style="list-style-type: none"> • Campaign Management • Carrier Management • Logistics Engineering and Carrier Contracting

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Travel. We have expertise in managing and improving operational, financial and analytical functions for travel management companies. We offer similar services to other travel industry participants, such as airlines, hotels, cruise operators, global distribution systems companies and shipping. Our services include:

Travel				
Oder Fulfillment	Client and Supplier Settlement	Reservations	Travel Accounting	Advisory and Analytics
<ul style="list-style-type: none"> • Ticketing • Invoicing • Back Office Interface • Agency Debit Memos • Refunds 	<ul style="list-style-type: none"> • Airline Settlements • Non-Airline Settlements • Client Billing • Receivables Management 	<ul style="list-style-type: none"> • Email Booking • Online Queue Management • Navigation Support 	<ul style="list-style-type: none"> • Sales Accounting • Supplier Revenue Tracking and Accounting • Groups and Event Accounting • Month End Accounting • Balance Sheet Reconciliation 	<ul style="list-style-type: none"> • Business Reporting • Sourcing Analytics • Policy Consulting • Benchmarking

Finance and Accounting. We have expertise in providing finance and accounting services, including accounts payable, accounts receivable, inter-company reconciliations, financial and statutory reporting, treasury management and tax compliance. In connection with our acquisition of Business Process Outsourcing, Inc. (OPI) on May 31, 2011 (the OPI Acquisition), we enhanced our finance and accounting outsourcing capabilities and acquired proprietary technology tools. We also increased our onshore outsourcing presence in the U.S. Our services include:

Finance and Accounting Operations				
Account Payable	Account Receivable	Payroll Management	Accounting and Reporting	Treasury and Taxes
<ul style="list-style-type: none"> • Invoice Capture and Processing • Disbursements • Spend Analysis • Contact and Data Services • Vendor Master Management • Travel and Entertainment Processing 	<ul style="list-style-type: none"> • Order Entry and Fulfillment • Billing • Credit and Collections • Cash Applications • Contact and Data Services 	<ul style="list-style-type: none"> • Payroll Processing • Benefits Administration • Workforce Administration • Stock Option and Pension Accounting • Employee Master Data Management • Contact and Data Services 	<ul style="list-style-type: none"> • General Accounting • Inter-company Reconciliation • Fixed Asset Accounting • Period-end Close • Specialized Accounting • Financial and Statutory Reporting 	<ul style="list-style-type: none"> • Cash Forecasting and Management • Tax Compliance • US Tax Reporting and Statutory Compliance • International and US Federal, State and Municipal Taxes

Transformation Services

We offer a number of service offerings that we refer to collectively as transformation services. These offerings include decision analytics, finance transformation and operations and process excellence services.

These transformation services focus on helping our clients by improving their operating environments through cost reduction, enhanced efficiency, higher productivity, improved effectiveness of business decisions and improved risk and control environment within our clients’ operations whether or not they are outsourced to us. Our transformation services have enabled us to expand our client base by providing complementary service offerings to our clients and also to migrate clients into our BPO services. We have experienced a significant increase in demand for our annuity-based transformation services, which are engagements that are contracted for periods of one year or more. We actively cross-sell and, where appropriate, integrate our transformation services with our BPO services as part of an integrated solution for our clients. Our transformation services team is comprised of over 850 professionals who provide services at our clients’ locations or from our offshore delivery centers.

Decision Analytics

We offer decision analytics services, including data filtering, organization and synthesis, management information system reporting, trend and variance analysis, statistical and econometric modeling and economic and financial markets research. Our decision analytics services access and analyze large volumes of data from multiple sources in order to understand historical performance or behavior to predict particular outcomes. We utilize the insights that we generate to assist our clients in making better business decisions, which should lead to tangible financial benefits.

Our decision analytics services include analytical consulting, management consulting and analytical services. Analytical consulting and management consulting services include advising our clients on customer acquisition and retention, credit risk, customer data integration and fraud detection, marketing strategy, product and service strategy, volume forecasting, social media analytics, global resource optimization and scheduling. Analytical services include end-to-end marketing campaign management, advanced text mining, collections services, primary and secondary research, data management and actuarial analysis. Our offerings emphasize our expertise within our industry focus areas which are complemented by quantitative modeling, proprietary intellectual property, business intelligence techniques, technology tools and methodologies to deliver optimal results with faster turnaround times for our clients.

We deliver these services through a team of industry specialists and graduates with mathematical, statistical, engineering, economics, business or accounting backgrounds. Most of our decision analytics team members have received post-graduate degrees in business or other quantitative or financial disciplines. Our services include:

Decision Analytics			
Marketing and Customer Analytics	Risk Analytics	Operations Analytics	Finance and Investment Analytics
<ul style="list-style-type: none"> • Customer Prospecting and Acquisition • Customer Segmentation • Marketing Effectiveness • Attrition and Loyalty Management • Portfolio Profitability • Campaign Reporting and Scorecards 	<ul style="list-style-type: none"> • Credit Risk and Policy Development • Credit Scoring and Underwriting • Regulatory Compliance • Fraud Detection and Prevention • Collections and Recovery Strategy 	<ul style="list-style-type: none"> • Call-center Analytics • Capacity Planning • Resources Optimization • Customer Satisfaction Analysis • Productivity Optimization 	<ul style="list-style-type: none"> • Competitive Analysis and Business Research • Credit Research • Investment Identification and Assessment • Valuation, Due-Diligence and Deal Structuring • Sell-side/Financial Analytics

Finance Transformation

As part of our finance transformation services, we evaluate the efficiency, effectiveness and internal controls of our clients’ finance and accounting processes, systems and organization through various diagnostic methods. We also provide advisory and implementation support for process improvement, systems implementation, performance management, process consolidation and outsourcing.

We also offer governance, risk and compliance services as well as accounting and financial reporting advisory services. Our governance, risk and compliance services include compliance support, internal audit and controls monitoring services. Compliance support services include implementation and controls testing services that assist our clients with their efforts to comply with laws and regulations, such as the Sarbanes-Oxley Act of 2002, the Bank Holding Company Act of 1956, the EU’s Data Protection Directive and Solvency II standards, the regulations of the UK’s Financial Services Authority and industry standards such as the Payment Card Industry Data Security Standard. We also provide advisory services, which include support for our clients’ internal audit departments, design and implementation of enterprise and operational risk management programs, and risk and control analytics and reporting. In addition, we provide assistance with automation and monitoring of compliance programs and controls, implementation of specialized risk management compliance tools and services designed to optimize the efficiency and effectiveness of risk management and compliance processes.

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Our accounting and financial advisory reporting services include transaction assurance, general accounting, financial reporting and finance and accounting process optimization services. Our transaction assurance services include account reconciliation and transaction data analysis. In addition, we provide financial statement analysis and preparation assistance for regulatory reports and filings. Many of our professionals who provide these services are certified accountants, internal auditors and process and technology experts. Our services include:

Finance Transformation				
Governance, Risk and Compliance	Accounting Advisory	Process Optimization	Systems Advisory	Organization Design
<ul style="list-style-type: none">Regulatory ComplianceSarbanes-Oxley 404 ComplianceInternal AuditAnalytics and Continuous Controls Monitoring Solution	<ul style="list-style-type: none">General AccountingClose SupportSpecial Projects	<ul style="list-style-type: none">Working Capital ManagementFinancial CloseReportingFinancial Planning and Analysis	<ul style="list-style-type: none">System Selection and AssessmentProject Management Office Support and Change Management	<ul style="list-style-type: none">Opportunity Identification and DiagnosticsShared Services Center Advisory

Operations and Process Excellence Services

We assist clients in understanding, controlling and improving their business processes with a view to improving effectiveness at optimized cost. We utilize Lean and Six Sigma methodologies to advise our clients on strategic cost management where we identify areas to reduce costs and subsequently manage the implementation of our recommendations. Our services also identify business processes that can be improved by documenting processes, creating standard operating procedures, defining metrics and evaluation criteria as well as creating customized dashboards and reporting using our proprietary methodology. By diagnosing existing processes, we are able to assist our clients in improving their processes by modifying, eliminating or automating certain activities.

Operations and Process Excellence			
Process Reengineering	Strategic Cost Management	Enterprise Lean Sigma Deployment	Project Management Office Support
<ul style="list-style-type: none">Opportunity IdentificationProcess MappingOperating Model DesignNew Process Conceptualization and DesignDocumentation	<ul style="list-style-type: none">Cost BenchmarkingOffshoring and Rightshoring AdvisoryProcurement Optimization	<ul style="list-style-type: none">Gap AnalysisChange ManagementMetrics and DashboardingCustomer Experience EnhancementLean Six Sigma Mentoring	<ul style="list-style-type: none">Project GovernanceQuality ManagementMonitoring and ComplianceTechnical Business Requirement and Deployment Oversight

Geographic and Segment Information

Please see the disclosures in Notes 4 and 16 to our consolidated financial statements for segment and geographic information regarding our business.

Business Strategy

Our goal is to continue to be a leading provider of outsourcing and transformation services in the industry sectors on which we are focused. Specific elements of our growth strategy include:

Creating Positive Business Impact for Clients by Offering a Broad Range of Outsourcing and Transformation Services

In servicing our clients, we seek to differentiate ourselves by emphasizing the broad range of outsourcing and transformation services that we provide, including BPO, decision analytics, finance transformation and operations and process excellence services. We believe that clients are increasingly viewing their service

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providers as long-term partners that provide a full range of service offerings. We intend to deploy a combination of operational levers such as analytics, technology platforms, Lean and Six Sigma methodologies as well as leverage our global geographical presence to create a positive business impact for our clients' businesses. We intend to improve our clients' businesses through tangible measures such as revenue enhancement, revenue leakage prevention, cost reduction, write-off reduction, expense leakage prevention and working capital reduction.

Utilizing Innovative Approaches in our Service Delivery to Enhance Margin Sustainability

We believe that we can better enhance our margin sustainability by utilizing innovative approaches in our service delivery. Successful innovative approaches will require the use of acquired or owned intellectual property, methodologies and analytical models as well as a range of proprietary technology tools, and licensed and software platforms. In this light, we have significantly increased our proprietary technology tools and platforms through a combination of acquisitions and in-house development. For example, our proprietary Freight Bill Audit and Payment platform automates the process of receiving and validating customer invoices, and processing exceptions for our clients in the transportation and logistics sectors. We also acquired the LifePRO® platform and obtained access to the SubroSource™ platform for our clients in the insurance and healthcare sectors in connection with our respective acquisitions of PDMA and Trumbull. We also employ data-driven methodologies, such as Lean and Six Sigma, to better identify process inefficiencies and improve productivity in client and support processes.

In addition, we believe that the increased utilization of transaction-based pricing models, supplemented by these innovative tools and methodologies, may also enhance the sustainability of our margins while delivering increased value to our clients. Currently, a majority of our revenues are billed to our clients on a time and materials basis. We intend to increase the number of processes in which we utilize transaction-based pricing to better align our incentives with our clients, thereby assisting them with variable cost structures and driving service improvements.

Extending Our Industry Expertise

We have developed expertise in transferring and servicing more than 780 BPO processes to our operations centers, including more than 480 processes in the insurance and healthcare industry. This expertise continues to distinguish us from other providers of BPO services and has established our reputation as a leading provider of BPO services. We intend to continue to strengthen our processing capabilities by focusing on the more complex and value-enhancing services that are common to these sectors. We intend to selectively identify industry-specific technologies and intellectual property we can use to develop greater levels of domain expertise and provide a wide range of outsourcing and transformation services. Our industry-specific academics provide domain training to employees providing services to clients in those industries.

Continuing to Focus on Complex Processes

We intend to continue to leverage our industry expertise to provide increasingly more complex services for our clients. As a result of our established and developing industry expertise and knowledge of our clients' businesses and processes, our employees are able to handle processes that are non-routine and that cannot be readily automated or transferred to other parties. Examples of our newest outsourcing processes include auditing of insurance premiums, providing support for clients who are underwriting business and personal insurance, analyzing invoices based on loss experience history, reviewing gas metering arrangements, verifying and settling cargo loss claims and calculating and recovering overpayments. Recent transformation services include proprietary solutions in social media analytics, healthcare analytics and advanced text mining capabilities.

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Maintaining Our Focus on Large-scale, Long-term Relationships

We intend to continue to maintain our focus on large-scale, long-term client relationships. We believe there are significant opportunities for additional growth with our existing clients, and we seek to expand these relationships by increasing the depth and breadth of the services we provide. This strategy should allow us to use our in-depth client-specific knowledge to provide more fully integrated outsourcing and transformation services and develop closer relationships with our clients. However, we will also continue to initiate long-term relationships with small and medium sized companies in our focus industries and expand our relationships with such companies over time.

Expanding Our Client Base

We intend to develop long-term relationships that present recurring revenue opportunities with new clients by leveraging our industry experience and expanding our marketing activities in a manner designed to strengthen, encourage and accelerate long-term relationship building. We continue to target Global 1000 companies that have the most complex and diverse processes and, accordingly, stand to benefit significantly from our services. We believe that our geographically distributed network of operations centers will enable us to expand our client base and range of services. In developing new client relationships, we continue to be highly selective and seek industry-leading clients who are committed to long-term, strategic relationships with us.

Continuing to Invest in Operational Infrastructure

We intend to continue to invest in infrastructure, including human resources, process optimization and delivery platforms, to meet our growing client requirements. We intend to further refine and supplement the innovative methods we use to recruit, train and retain our skilled employees. We intend to continue focusing on recruiting highly qualified employees and developing our employees' leadership skills through specialized programs, rigorous promotion standards, industry-specific training and competitive compensation packages that include incentive-based compensation. During 2011, we expanded our operation center located in a special economic zone (a SEZ) in Noida, India. We commenced operations in Hartford, Connecticut, Dallas, Texas Richmond, Virginia and Jersey City, New Jersey in the U.S., Bengaluru and Kochi in India, Sofia and Varna in Bulgaria and Kuala Lumpur in Malaysia.

Pursuing Strategic Relationships and Acquisitions

We intend to continue to selectively consider strategic relationships with industry leaders that add new long-term client relationships, enhance the depth and breadth of our services or complement our business strategy. We also intend to selectively consider acquisitions, partnerships or investments that will expand the scope and effectiveness of our services by adding proprietary technology assets and intellectual property, add new clients or allow us to enter new geographic markets. On May 31, 2011, we acquired OPI, a leading global provider of finance and accounting outsourcing services with approximately 3,700 employees in the U.S., Europe and Asia serving roughly 80 clients. On October 1, 2011, we acquired Trumbull, a market leader in subrogation services for property and casualty insurance companies.

Other Information

ExlService Holdings, Inc. was incorporated in Delaware on October 29, 2002.

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act). You may read and copy this information at the Public Reference Room of the SEC, Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically through the EDGAR System.

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The Company also maintains a website at <http://www.exlservice.com>. The Company makes available, free of charge, on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, proxy statements, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC.

The BPO Industry

BPO service providers work with clients to develop and deliver business operational improvements with the goal of achieving higher performance at lower costs. Outsourcing can enable organizations to enhance profitability and increase efficiency and reliability, permitting them to concentrate on their core areas of competence. BPO is a long-term strategic commitment for companies that, once implemented, is generally not subject to cyclical spending or information technology budget reductions. Organizations outsource their key business processes to third parties to reduce costs, improve process quality, handle increased transaction volumes and reduce redundancy. Increased global demand, cost improvements in international communications and the automation of many business services have created a significant opportunity for offshore business process service providers, and many companies are moving select office processes to providers with the capacity to perform these functions from overseas locations.

Companies have historically also used outsourcing to drive revenue growth by expanding service offerings that otherwise would be too costly to administer or through enhanced receivable collections that would not be cost-efficient to pursue using internal staff. We believe the demand for BPO services will be primarily led by industries that are transaction-driven and that require significant customer interactions, such as insurance and healthcare, utilities, banking and financial services, transportation and logistics and travel services. The high cost of servicing a large number of small customer accounts makes outsourcing a compelling strategic alternative for these industries.

Trend Toward Offshore Delivery of BPO Services

Global demand for high quality, lower-cost BPO services from external providers, combined with operational and cost improvements in international telecommunications and the automation of many business services, have created a significant opportunity for BPO service providers that are able to take advantage of an offshore talent pool. Many companies are moving selected front-, middle- and back-office processes to providers with the capacity to perform these functions from overseas locations.

Over the past decade, India and the Philippines have emerged as preferred locations for organizations planning to outsource services ranging from insurance claims processing, payroll processing, medical transcription, customer relationship management to back-office operations such as accounting and data processing, filtering and organization. India currently accounts for the largest share of the offshore BPO services market. Recently, in order to take advantage of multiple language capabilities and large educated talent pools at competitive costs, companies have engaged service providers with operations in other geographies such as Eastern Europe and Latin America.

Sales and Marketing and Client Management

We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by industry verticals and cross-industry domains such as finance and accounting. Our sales and client management teams operate from the U.S. and Europe and are supported by our business development team, which operates from the U.S. and India. In 2011, we strengthened our marketing efforts with new leadership, an expanded team and the execution of integrated marketing campaigns. The U.S.-based marketing team drives the marketing initiatives of sales and client management teams across industry verticals and domains.

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Our sales, marketing and business development teams are responsible for new client acquisitions, public relations, relations with outsourcing advisory companies, brand awareness and participation in industry forums and conferences in the U.S., Europe and India. Our sales, marketing and business development teams identify prospective clients based on selective criteria that apply our industry expertise to the prospective client's business lines, goals and operating constraints, and qualify the long-term relationship potential with the client. Our client relationships vary from a single discrete process to multiple complex integrated processes.

Our client management team is responsible for managing client relationships, understanding client needs and developing customized services that create value for clients from our suite of outsourcing and transformation services. Each strategic client relationship is assigned a team that consists of members from the client management team, an operations delivery leader, a member of our transformation services group and a member of our technology team. Members of the client management team work closely with the delivery team to ensure high levels of client satisfaction and are also responsible for business expansion and revenue growth of their respective client accounts.

Our sales and client management professionals focus on identifying, qualifying and initiating discussions with our current and prospective clients. They operate collaboratively with our business development team which prepares responses to requests for proposals, hosts client visits to our facilities and coordinates due diligence on processes to be outsourced to us.

As of December 31, 2011, we employed 67 sales, marketing, business development and client management professionals in the U.S., India and Europe. Each professional has significant experience in global outsourcing and expertise in identifying outsourcing opportunities and process migration. Our sales, client management, marketing and business development teams work actively with our service delivery team as the sales process moves closer to the client's final decision to either select or expand a service provider relationship. The client executive or sales executive works with the service delivery team to define the scope, services, assumptions and execution strategies for each proposed project and to develop project estimates, pricing and sales proposals. Senior management reviews and approves each proposal. The selling cycle varies depending on the type of service required, generally ranging from six months to eighteen months.

Members of our sales, client management, marketing and business development teams remain actively involved in a project through the execution phase. Each client team consists of a corporate sponsor, executive steering committee, operations leadership team and, in some cases, a dedicated human resources, technology and infrastructure team.

Clients

We currently have approximately 200 clients. Our largest clients in 2011 were Travelers, Centrica and American Express, which together accounted for approximately 31.8% of our total revenues in 2011. Other clients include 68 global insurance and healthcare companies, 27 global banks and financial services companies, six European utility companies, seven transportation and logistics services providers and a global travel management company. While we are developing relationships with new clients and expect to continue to diversify our client base, we believe that the loss of any of our three largest clients could have a material adverse effect on our financial performance. See "Item 1A. Risk Factors—Risks Related to Our Business—We have a limited number of clients and provide services to few industries. In 2011, approximately 31.8% of our total revenues came from three clients."

Our long-term relationships with our clients typically evolve from providing a single, discrete process into providing a series of complex, integrated processes across multiple business lines. For outsourcing services, we enter into long-term agreements with our clients with typical initial terms of between three and eight years. Agreements for transformation services generally have shorter initial terms. Each agreement is individually negotiated with the client.

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We provide services to Travelers under a services agreement and work assignments and orders generated thereunder. Although the services agreement does not have a fixed term, the work assignments and work orders expire in December 2013 and renew every year thereafter unless either party elects not to renew within a specified period before the next renewal date. Travelers may terminate the services agreement, or any work assignment or work order, without cause upon 60 days prior notice.

We provide services to Centrica under a services agreement that expires in April 2015. Centrica has the option to extend the contract for two annual extension periods. This contract can be terminated by Centrica without cause upon three months prior notice and payment of a breakup fee. See “Item 1A. Risk Factors—Risks Related to Our Business—Our client contracts contain certain termination provisions that could have an adverse effect on our business, results of operations and financial condition.”

We provide services to American Express under a separate agreement for each of our outsourcing services and transformation services. The master services agreement for our outsourcing services provides a minimum volume commitment over a period of eight years until February 2018 and renews automatically for successive twelve month periods unless either we or American Express provides notice six months prior to the expiration of the initial term. The master services agreement for our outsourcing services cannot be terminated by American Express without cause. The master agreement for our transformation services may be terminated by American Express without cause upon five days prior written notice.

In addition, our agreements generally limit our liability to our clients to a maximum amount, subject in many cases to certain exceptions such as indemnification for third-party claims and breaches of confidentiality. In order to meet the specific needs of our clients, we enter into contracts with varying contractual provisions.

Competition

Competition in the BPO services industry is intense and growing. See “Item 1A. Risk Factors—Risks Related to Our Business—We face significant competition from U.S.-based and non-U.S.-based outsourcing and information technology companies and from our clients, who may perform outsourcing services themselves, either in-house, in the U.S. or through offshore groups or other arrangements.” Many companies, including certain of our clients, choose to perform some or all of their customer service, collections and back-office processes internally. Their employees provide these services as part of their regular business operations. Some companies have moved portions of their in-house customer management functions offshore, including to offshore affiliates. We believe our key advantage over in-house business processes is that we give companies the opportunity to focus on their core products and services while we focus on service delivery and operational excellence. We believe that clients who operate a hybrid business model—partnering with external BPO providers while handling other BPO functions in-house—have the opportunity to benchmark the performance of their internal BPO operations against ours.

We compete primarily against:

- BPO service companies based in offshore locations, particularly India, such as Genpact Limited and WNS (Holdings) Limited;
- the BPO divisions of large information technology, or IT, service companies and global BPO services companies, such as Accenture, Cognizant Technology Solutions and International Business Machines;
- small, niche service providers that provide services in a specific geographic market, industry or service area; and
- leading accounting and management consulting firms.

We compete against these entities by establishing ourselves as a service provider with deep industry expertise, superior operational capabilities and process expertise, and unique transformation service capabilities, which enables us to respond rapidly to market trends and the evolving needs of our clients in this sector. See

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“—Business Strategy—Creating Positive Business Impact for Clients by Offering a Broad Range of Outsourcing and Transformation Services,” “—Extending Our Industry Expertise” and “—Continuing to Focus on Complex Processes.”

We expect that competition will increase. A significant part of our competitive advantage has historically been a wage cost advantage relative to companies in the U.S. and Europe and the ability to attract and retain highly experienced and skilled employees. We believe, however, that as a result of rising wage costs in India and other locations of our operations centers and the infrastructure improvements that are taking place in other emerging markets around the world, our ability to compete effectively will increasingly depend on our ability to provide high quality, on-time, complex services that require expertise in certain technical areas, to utilize proprietary tools, technologies and methodologies and to expand geographically.

Intellectual Property

We generally use our clients’ software systems and third-party software platforms to provide our services. We customarily enter into licensing and nondisclosure agreements with our clients and third parties with respect to the use of their software systems and platforms. Our contracts usually provide that all intellectual property created specifically for use of our clients will automatically be assigned to our clients.

Our principal intellectual property consists of proprietary software, proprietary and accessed platforms and the know-how of our management. We have received approvals for several trademark applications, including applications for our logo and mark, with the U.S. Patent and Trademark Office and the U.K. Trademark Office. In addition, we have filed trademark applications for certain marks in several jurisdictions. We consider our business processes and implementation methodologies to be confidential, proprietary information and to include trade secrets that are important to our business. Clients and business partners sign a nondisclosure agreement requiring confidential treatment of our information. Our employees are also required to sign confidentiality agreements as a condition to their employment.

Technology

We have a well-developed international telecommunications capacity to support our business operations. We use an international network from India, the Philippines, the Czech Republic, Bulgaria, Romania and Malaysia to connect to our points of presence in the U.S. and the U.K. Our networking and telecommunications hubs are situated in Sunnyvale, California, Jersey City, New Jersey and New York, New York, providing technology interface locations on the east and west coasts of the U.S. Our business continuity management plan includes plans to eliminate certain risks inherent in critical applications by building redundancies and resilience into the connectivity and telecommunications infrastructure, network, systems, power availability, transportation, physical security, and trained manpower availability, as well as utilizing distributed computing.

To increase stable data and telecommunications capacity, we lease bandwidth from a number of different providers globally. Currently, we have a bandwidth of over 620 megabits-per-second, or Mbps, in the U.S. and over 275 Mbps in the U.K. and Europe, which we believe is adequate for our business. We have implemented multiprotocol label switching and internet based connectivity across all processing centers and technology hubs, which should allow seamless transition from one center to the other in case of an outage.

Our infrastructure is built on industry standards and we work closely with several leading original equipment manufacturers and principal technology partners. The robustness of our telecommunications network has allowed us to achieve an average network availability of over 99.7% for day-to-day operations.

We customize our technology solutions in line with our clients’ business and outsourcing requirements. Our technology teams are comprised of expert professionals from technology project management, infrastructure management, information security and technology operational service delivery, thereby permitting us to adapt our infrastructure services to our clients through various phases of our client engagements. We seek to

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understand our clients' business and outsourcing requirements and their process platforms, develop and implement customized services to our clients and deliver reliable services that facilitate the offshore conduct and management of their business processes.

We have the following systems in place to protect the privacy of our clients and their customers and to ensure compliance with the laws and regulations governing our activities:

- our information security policies comply with International Standards, including ISO 27001, for optimal management of various aspects of information security, including personnel, physical, systems and operations center security;
- our information security framework addresses compliance requirements and protection of our clients' and their customers' information;
- specific provisions for complying with the FDIC Safe Harbor Provisions, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act, the EU Privacy Directive and other client-specific needs;
- information systems teams formed for each client for the development, implementation and coordination of policies and procedures specific to that client's processes; and
- periodic internal and external audits and vulnerability assessments of both our information security management system and implemented controls.

Process Compliance and Management

We have an independent quality compliance team to monitor, analyze, provide feedback on and report process performance and compliance. In addition, we have a customer experience team to assess and improve end-customer experience for all processes. Currently, we have over 350 quality compliance analysts and customer experience analysts.

For some of our operations processes, we report process performance on B-ProMPT, a web-based application accessible by both our clients and us. B-ProMPT includes process control capabilities such as digital dashboards for evaluating process management and performance at any level within an organization, including tracking the individual performance of agents, supervisors and other employees. B-ProMPT includes advanced analytics capacity to provide Six Sigma-based process analysis, including trend analysis, distribution analysis and correlation analysis and tracking.

Employees

As of December 31, 2011, we had a headcount of approximately 18,900 individuals, a substantial portion of whom are based in India. We have approximately 600 employees in the U.S. and the U.K., approximately 1,500 employees in the Philippines and an aggregate of approximately 600 employees in the Czech Republic, Bulgaria and Romania. Our employees are not unionized. We have never experienced any work stoppages and believe that we enjoy good employee relations.

Hiring and Recruiting

Our employees are critical to the success of our business. Accordingly, we focus heavily on recruiting, training and retaining our professionals.

We have developed effective strategies that enable an efficient recruitment process. We have approximately 85 employees dedicated to recruitment. Some of the strategies we have adopted to increase efficiency in our hiring practices include online voice assessment and a centralized hiring center. Our hiring policies focus on identifying high quality employees who demonstrate a propensity for learning, contribution to client services and

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growth. Candidates must undergo numerous tests and interviews before we extend offers for employment. We also conduct extensive background checks on candidates, including criminal background checks as required by clients or on a sample basis. In addition, we perform random drug testing on the workforce on a regular basis. In 2011, we received more than 45,000 applications for employment and hired approximately 9,000 new professionals. We also have an employee referral program that provides us with a cost effective way of accessing qualified potential employees.

We offer our professionals competitive compensation packages that include significant incentive-based compensation and offer a variety of benefits, including free transport to and from home in certain circumstances, subsidized meals and free access to recreational facilities that are located within some of our operations centers. Our turnover rate for billable employees—employees who execute business processes for our clients following the completion of our six-month probationary period—has reduced from approximately 34.4% for the year ended December 31, 2010 to approximately 31.2% for the year ended December 31, 2011. The reduced turnover rate is largely attributable to an increase in employee engagement initiatives and reduced employment opportunities as a result of the economic environment in India and the Philippines, where a substantial portion of our professionals are based. However, as competition in our industry increases, our turnover rate could increase. See “Item 1A. Risk Factors—Risks Related to Our Business—We may fail to attract and retain enough sufficiently trained professionals to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.”

Training and Development

We dedicate significant resources to the training and development of our professionals. On December 31, 2011, we had over 290 certified trainers. Our trainers work with professionals in our recruitment, operations and quality control teams to create an end-to-end process for value addition, skill evaluation, skill enhancement and certification. We also use training to provide continuity by linking skill assessment at the point of recruitment to subsequent assessment and on-the-job training.

We customize our training to country, client, industry and service, closely collaborating with the client throughout the training process. Approximately 4,000 employees received training for the insurance and healthcare industry and processes at the insurance academy established by us in 2009. Our finance and accounting academy, inaugurated in November 2011, has trained approximately 200 employees in basic accounting, payroll and taxation. Training for new employees includes culture, voice and accent training. We also have ongoing training that includes refresher training programs and personality development programs. We develop our employees’ leadership skills through various capability development programs, talent identification and performance management mechanisms, and significant monetary and non-monetary incentives. In 2011, we placed an increased focus on capability development initiatives using an electronic learning platform to supplement our traditional instructor led programs. The overall participation in various programs administered in 2011 resulted in approximately 32,000 days of training and covered over 9,000 employees. We have also created career development programs for our middle and junior level management employees, helping them define and identify their career paths within the company. In 2011, we provided training to over 1,200 of our junior and middle managers at the EXL School of Management Development, which was launched in 2010.

In February 2012, we inaugurated the EXL Center for Talent in Noida, India, our first facility exclusively dedicated to recruitment, capability enhancement and talent development.

Regulation

Because of the diversity and highly complex nature of our service offerings, our operations are subject to a variety of rules and regulations and several U.S. and foreign federal and state agencies regulate aspects of our business. In addition, our clients may contractually require that we comply with certain rules and regulations, even if those rules and regulations do not actually apply to us. Failure to comply with any applicable laws and

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regulations could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties, which could have a material adverse effect on our operations.

We are one of the few service providers that can provide third-party administrator insurance services from India in 44 states of the U.S. and from the Philippines in 19 states of the U.S., having been licensed or exempted from, or not subject to, licensing in each of those states, which may help make us an attractive service provider to future clients. Additionally, we are also licensed to provide third-party administrator services from the U.S. in 30 states of the U.S.

Our debt collection services may be subject to the Fair Debt Collection Practices Act, which regulates debt collection practices. In addition, many states require a debt collector to apply for, be granted and maintain a license to engage in debt collection activities within a state. We are currently licensed (or exempt from licensing requirements) to provide debt collection services from India in all but two states in the U.S. and from the Philippines in 35 states of the U.S. that have non-exempt requirements and have separate conditional exemptions with respect to our ongoing collection obligations.

Our operations are also subject to compliance with a variety of other laws, including federal and state regulations, that apply to certain portions of our business, such as the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996, the HITECH Act of 2009, the Truth in Lending Act, the Fair Credit Billing Act and U.S. Federal Deposit Insurance Company, or FDIC, rules and regulations. We must also comply with applicable regulations relating to healthcare and other personal information that we process as part of our services. Additionally, our client contracts may specify other regulatory requirements we must meet in connection with the services we provide. We provide our employees with training for applicable laws and regulations.

Regulation of our business by the Indian government affects us in several ways. We previously benefited from certain tax incentives promulgated by the Indian government, including a tax holiday from Indian corporate income taxes for the operation of some of our Indian operations centers. The tax benefit for some of our operations centers in India had already expired in 2010 and for most of our other operations centers expired on April 1, 2011. Our operations centers in Jaipur and Noida, which were established in SEZs in 2010, are eligible for tax incentives until 2020. As part of the OPI Acquisition, we also acquired operations centers in Bengaluru and Kochi, India that are also established in SEZs. The operations center in Bengaluru will complete its first five years of operations on March 31, 2012. Under the tax regulations, the Bengaluru operations center will be entitled to a 50% tax exemption on profits from April 1, 2012, after which there will be an increase in the tax expense for such center. We anticipate establishing additional operations centers in SEZs in the future. We also benefit from certain tax incentives for our operations in the Philippines. See “Item 1A. Risk Factors—Risks Related to the International Nature of our Business—Our financial condition could be negatively affected if foreign governments reduce or withdraw tax benefits and other incentives currently provided to companies within our industry, or if the same are not available for other reasons.” Our subsidiaries in India are also subject to certain currency transfer restrictions. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Foreign Exchange” and “—Income Taxes.”

ITEM 1A. Risk Factors

Risks Related to Our Business

We have a limited number of clients and provide services to few industries. In 2011, approximately 31.8% of our total revenues came from three clients.

We have derived and believe that we will continue to derive a substantial portion of our total revenues from a limited number of large clients. In 2011, our three largest clients Travelers, Centrica and American Express, accounted for approximately 31.8% of our total revenues. We generated 11.6% of our total revenues in 2011 from Travelers, 10.8% of our total revenues in 2011 from Centrica and 9.4% of our total revenues in 2011 from American Express. We provide services to Travelers under a services agreement and work assignments and orders generated thereunder. Although the services agreement does not have a fixed term, the work assignments and work orders expire in December 2013 and renew every year thereafter unless either party elects not to renew within a specified period before the next renewal date. Travelers may terminate the services agreement, or any work assignment or work order, without cause upon 60 days prior notice. We provide services to Centrica under an agreement that expires in April 2015. Centrica will have the option to extend the contract for two annual extension periods. This contract can be terminated by Centrica without cause upon three months prior notice and payment of a breakup fee. We provide services to American Express under a separate agreement for each of our BPO services and our transformation services. The agreement for transformation services can be terminated by American Express without cause upon five days prior written notice. We expect that a significant portion of our total revenues will continue to be contributed by a limited number of large clients in the near future. The loss or financial difficulties of either of our large clients would have a material adverse effect on our business, results of operations, financial condition and cash flows.

General economic and business conditions could negatively affect our business in multiple ways.

The recent global economic downturn adversely impacted companies in the industries to which we provide services, including the banking, financial services and insurance industries. In 2011, approximately 55.1% of our total revenues were derived from clients in those industries, including 48.5% of our total revenues that were derived from clients in the insurance industry. Our business largely depends on continued demand for our services from clients and potential clients in these industries. Adverse developments in these industries or the other select industries to which we provide services could further unfavorably affect our business. In particular, we currently derive, and are likely to continue to derive, a significant portion of our revenues from clients located in the U.S. Any future decreases in the general level of economic activity, such as decreases in business and consumer spending, could result in a decrease in demand for our services, particularly our transformation services, thus reducing our revenue. Continued high unemployment rates in the U.S. could also adversely affect the demand for our services. Other developments in response to economic events, such as consolidations, restructurings or reorganizations, particularly involving our clients, could also cause the demand for our services to decline.

Any future disruptions in the commercial credit markets may impact liquidity in the global credit market as greatly, or even more, than in recent years, and we may not be able to predict the impact such worsening conditions will have on our targeted industries in general, and our results of operations specifically. Future turbulence in global markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our clients, and they may limit our ability to access financing or increase our cost of financing to meet liquidity needs, and affect the ability of our customers to use credit to purchase our services or to make timely payments to us, resulting in adverse effects on our financial condition and results of operations. Changes in global economic conditions could also shift demand to services for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain.

Our industry may not develop in ways that we currently anticipate due to negative public reaction in the U.S. and elsewhere to offshore outsourcing, recently proposed legislation or otherwise.

We have based our strategy of future growth on certain assumptions regarding our industry and future developments in the market for outsourcing services. For example, we believe that there will continue to be

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changes in product and service requirements, and investments in the products offered by our clients will continue to increase. However, the trend to outsource business processes may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the U.S. and elsewhere, and many organizations and public figures have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in the U.S. and elsewhere. In addition, there has been limited publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services to offshore providers to avoid any negative perception that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends would harm our ability to compete effectively with competitors that operate out of facilities located in the U.S. and elsewhere.

A variety of U.S. federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing their services to companies outside the U.S. For example, legislation has been proposed that would require offshore providers to identify where they are located and that would require notice to individuals whose personal information is disclosed to non-U.S. companies. In addition, recently introduced bills have proposed providing tax and other economic incentives for companies that create employment in the U.S. by reducing their offshore outsourcing. Other bills have proposed requiring call centers to disclose their geographic locations, requiring notice to individuals whose personal information is disclosed to non-U.S. affiliates or subcontractors, requiring disclosures of companies' foreign outsourcing practices or restricting U.S. private sector companies that have federal government contracts, federal grants or guaranteed loan programs from outsourcing their services to offshore service providers. Because most of our clients are located in the U.S., any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could adversely impact our ability to do business with U.S. clients and have a material and adverse effect on our business, results of operations, financial condition and cash flows.

In other countries, such as the U.K., which comprised 22.0% of our total revenues in 2011, there has also been some negative publicity and concern expressed regarding the possible effect of job losses caused by outsourcing. Legislation enacted in the U.K. provides that if a company transfers or outsources its business or a part of its business to a transferee or a service provider, the employees who were employed in such business are entitled to become employed by the transferee or service provider on the same terms and conditions as they had been employed before the transfer. The dismissal of such employees as a result of such transfer of business is deemed unfair dismissal and entitles the employees to compensation. As a result, we may become liable for redundancy payments to the employees of our clients in the U.K. who outsource business to us. We are generally indemnified in our existing contracts with clients in the U.K. to the extent we incur losses or additional costs due to the application of this legislation to us, and we intend to obtain indemnification in future contracts with clients. However, if we are unable to obtain indemnification in future contracts with clients, we may be liable under any agreements we enter into in the future with U.K. clients. Similar legislation has also been enacted in certain other European jurisdictions.

Our client contracts contain certain termination and other provisions that could have an adverse effect on our business, results of operations and financial condition.

Most of our client contracts may be terminated by our clients without cause and do not commit our clients to provide us with a specific volume of business. Any failure to meet a client's expectations could result in a cancellation or non-renewal of a contract or a decrease in business provided to us. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would reduce our revenues. For example, we provide services to Travelers under a services agreement that Travelers may terminate without cause upon 60 days prior notice, we provide services to Centrica under an agreement that can be terminated by Centrica without cause upon three months prior notice and payment of a breakup fee and we provide transformation services to American Express under an agreement that can be terminated by American Express without cause upon five days prior written notice. We generated 11.6% of our total revenues in 2011 from Travelers, 10.8% of our total revenues in 2011 from Centrica and 9.4% of our total revenues in 2011 from American Express. The termination of any of these contracts with or without cause could have a material adverse impact on the predictability of our expected revenue stream.

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A limited number of our contracts allow a client, in certain limited circumstances, to request a benchmark study comparing our pricing and performance with that of an agreed list of other service providers for comparable services. Based on the results of the study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or reduce the pricing for services on a prospective basis to be performed under the remaining term of the contract or our client could elect to terminate the contract, which could have an adverse effect on our business, results of operations and financial condition. Many of our contracts contain provisions that would require us to pay penalties to our clients and/or provide our clients with the right to terminate the contract if we do not meet pre-agreed service level requirements or if we do not provide certain productivity benefits. Failure to meet these requirements or accurately estimate the productivity benefits could result in the payment of significant penalties by us to our clients which in turn could have a material adverse effect on our business, results of operations and financial condition. Some of our contracts with clients specify that if a change of control of our company occurs during the term of the contract, the client has the right to terminate the contract. These provisions may result in our contracts being terminated if there is such a change in control, resulting in a potential loss of revenues. In addition, these provisions may act as a deterrent to any attempt by a third party to acquire our company.

We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.

The BPO industry is very labor intensive and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees, including our ability to attract employees with needed skills in the geographic areas in which we operate. The industry, including us, experiences high employee turnover. In 2011, our turnover rate for billable employees was approximately 31.2%. There is significant competition for professionals with skills necessary to perform the services we offer to our clients. Increased competition for these professionals, in the BPO industry or otherwise, could have an adverse effect on us. A significant increase in the turnover rate among our employees, particularly among the highly skilled workforce needed to provide BPO services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins, and could lead to a decline in demand for our services. High turnover rates generally do not impact our revenues as we factor the attrition rate into our pricing models by maintaining additional employees for each process. However, high turnover rates do increase our cost of revenues and therefore impact our profit margins due to higher recruitment, training and retention costs as a result of maintaining larger hiring, training and human resources departments and higher operating costs due to having to reallocate certain business processes among our operations centers where we have access to the skilled workforce needed for the business. In 2011, we incurred approximately \$3.1 million on recruitment and approximately \$1.3 million on training costs due to employee turnover, thereby increasing our costs and reducing our profit margins for that period by \$4.4 million.

In addition, our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain personnel with skills that keep pace with the demand for outsourcing, evolving industry standards and changing client preferences. A lack of sufficiently qualified personnel could also inhibit our ability to establish operations in new markets and our efforts to expand geographically. Our failure to attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We have a long selling cycle for our BPO services that requires significant funds and management resources and a long implementation cycle that requires significant resource commitments.

We have a long selling cycle for our BPO services, which requires significant investment of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them as to the value of our services, including testing our services for a limited period of time, and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our selling cycle,

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which generally ranges from six to eighteen months, is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other providers or in-house offshore resources) and the timing of our clients' budget cycles and approval processes. In addition, we may not be able to successfully conclude a contract after the selling cycle is complete.

Implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby delaying further the implementation process. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Once we are engaged by a client, it may take us several months before we start to recognize significant revenues.

When we are engaged by a client after the selling process for our BPO services, it takes from four to six weeks to integrate the client's systems with ours, and up to three months thereafter to build up our services to the client's requirements. Depending on the complexity of the processes being implemented, these time periods may be significantly longer. Implementing processes can be subject to potential delays similar to certain of those affecting the selling cycle. Therefore, we do not recognize significant revenues until after we have completed the implementation phase.

We enter into long-term contracts with our BPO clients, and our failure to estimate the resources and time required for our contracts may negatively affect our profitability.

The initial terms of our BPO client contracts typically range from three to five years. In many of our BPO contracts we commit to long-term pricing with our clients and therefore bear the risk of cost overruns, completion delays, wage inflation and adverse movements in exchange rates in connection with these contracts. If we fail to estimate accurately the resources and time required for a contract, future wage inflation rates or currency exchange rates (or fail to accurately hedge our currency exchange rate exposure) or if we fail to complete our contractual obligations within the contracted timeframe, our revenues and profitability may be negatively affected.

Consistency in our revenues from period to period depends in part on our ability to reflect the changing demands and needs of our existing and potential BPO clients. If we are unable to adjust our pricing terms or the mix of products and services we provide to meet the changing demands of our BPO clients and potential BPO clients, our business, results of operations and financial condition may be adversely affected.

Most of our BPO contracts use a pricing model that provides for hourly or annual billing rates. Industry pricing models are evolving, however, and we anticipate that clients may increasingly request transaction-based or other pricing models. If we are unable to obtain operating efficiencies or if we make inaccurate assumptions for contracts with transaction-based pricing, our profitability may be negatively affected. If we are unable to adapt our operations to evolving pricing protocols, our results of operations may be adversely affected or we may not be able to offer pricing that is attractive relative to our competitors.

In addition, the BPO services we provide to our clients and the revenues and income from those services may decline or vary as the type and quantity of services we provide under those contracts changes over time, including as a result of a shift in the mix of products and services we provide. Furthermore, our clients, some of which have experienced significant and adverse changes in their prospects, substantial price competition and pressures on their profitability, have in the past and may in the future demand price reductions, automate some or all of their processes or change their outsourcing strategy by moving more work in-house or to other providers, any of which could reduce our profitability. Any significant reduction in or the elimination of the use of the services we provide to any of our clients, or any requirement to lower our prices, would harm our business.

Our profitability will suffer if we are not able to appropriately price our services or manage our asset utilization levels.

Our profitability is largely a function of the efficiency with which we utilize our assets, and in particular our people and our operations centers, and the pricing that we are able to obtain for our services. Our asset utilization levels are affected by a number of factors, including our ability to transition employees from completed projects to new assignments, attract, train and retain employees, forecast demand for our services and maintain an appropriate headcount in each of our locations, as well as our need to dedicate resources to employee training and development and other typically non-chargeable activities. The prices we are able to charge for our services are affected by a number of factors, including our clients' perceptions of our ability to add value through our services, substantial price competition, introduction of new services or products by us or our competitors, our ability to accurately estimate, attain and sustain revenues from client engagements, our ability to estimate resources for long-term pricing, margins and cash flows for long-term contracts and general economic and political conditions. Therefore, if we are unable to appropriately price our services or manage our asset utilization levels, there could be a material adverse effect on our business, results of operations and financial condition.

Our transformation services are cyclical and based on specific projects involving short-term contracts.

Our transformation services, such as our decision analytics, finance transformation and operations and process excellence services, are cyclical and can be significantly affected by variations in business cycles. Changes in the deadlines or the scope of work required for compliance with the requirements of legislation applicable to our clients could have a significant impact on certain service offerings of our finance transformation services business.

In addition, a majority of our transformation services consist of specific projects with contract terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to material fluctuations and uncertainties in the revenues generated from these businesses.

Our operating results may experience significant variability and as a result it may be difficult for us to make accurate financial forecasts.

Our operating results may vary significantly from period to period. Although our existing agreements with original terms of three or more years provide us with a relatively predictable revenue base for a substantial portion of our business, the long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of new client acquisitions. The timing of revenue recognition under new client agreements also varies depending on when we complete the implementation phase. The completion of implementation varies significantly based upon the complexity of the processes being implemented.

Our period-to-period results have in the past and may also in the future fluctuate due to other factors, including client losses, delays or failure by our clients to provide anticipated business, variations in employee utilization rates resulting from changes in our clients' operations, delays or difficulties in expanding our operations centers and infrastructure (including hiring new employees or constructing new operations centers), changes to our pricing structure or that of our competitors, currency fluctuation, seasonal changes in the operations of our clients and other events identified in this Annual Report on Form 10-K. Our revenues are also affected by changes in pricing under our contracts at the time of renewal or by pricing under new contracts. For example, because the majority of our revenues are denominated in U.K. pounds sterling or U.S. dollars while most of our expenses are incurred and paid in Indian rupees and the Philippine peso, our revenues can decrease or increase significantly if the exchange rates among the Indian rupee, the U.K. pound sterling, the Philippine peso and the U.S. dollar fluctuate significantly. In addition, most of our contracts do not commit our clients to provide us with a specific volume of business. These factors may make it difficult to make accurate financial forecasts or replace anticipated revenues that we do not receive as a result of delays in implementing our services or client losses. If our actual results do not meet any estimated results that we announce, or if we underperform market expectations as a result of such factors, trading prices for our common stock could be adversely affected.

Our senior management team is critical to our continued success and the loss of one or more members of our senior management team could harm our business.

Our future success substantially depends on the continued services and performance of the members of our management team and other key employees possessing technical and business capabilities, including industry expertise, that are difficult to replace. Specifically, the loss of the services of Rohit Kapoor, our President and Chief Executive Officer, could seriously impair our ability to continue to manage and expand our business. There is intense competition for experienced senior management and personnel with technical and industry expertise in the industry in which we operate, and we may not be able to retain these officers or key employees. Although we have entered into employment and non-competition agreements with all of our executive officers, certain terms of those agreements may not be enforceable and in any event these agreements do not ensure the continued service of these executive officers. Mr. Kapoor and certain of his affiliates have certain registration rights with respect to their shares of common stock.

In addition, we currently do not maintain “key person” insurance covering any member of our management team. The loss of any of our key employees, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our inability to effectively manage our rapid infrastructure and personnel growth could have a material adverse effect on our operations, results of operations and financial condition.

Since we were founded in April 1999, we have experienced rapid growth and significantly expanded our operations. We have fifteen operations centers in India, five operations centers in the U.S., two operations centers in Bulgaria and one in each of the Philippines, Romania, the Czech Republic and Malaysia. Our headcount has increased from approximately 1,800 on December 31, 2002 to approximately 18,900 on December 31, 2011. We expect to develop and improve our internal systems in the locations where we operate in order to address the anticipated growth of our business. We inaugurated a new operations center in the Philippines in January 2012 and are in the process of expanding some of our operations centers in India. We are also continuing to look for operations centers at additional locations outside of our current operating geographies. We believe expanding our geographic base of operations will provide higher value to our clients by decreasing the risks of operating from a single country (including potential shortages of skilled employees, increases in wage costs during strong economic times and currency fluctuations), while also giving our clients access to a wider talent pool and establishing a base in countries that may be competitive in the future. However, we may not be able to effectively manage our infrastructure and employee expansion, open additional operations centers or hire additional skilled employees as and when they are required to meet the ongoing needs of our clients, and we may not be able to develop and improve our internal systems. Our inability to execute our growth strategy, to ensure the continued adequacy of our current systems or to manage our expansion effectively could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may engage in strategic acquisitions or transactions, which could have a material adverse effect on our business, results of operations and financial condition.

As part of our business strategy, we intend to continue to selectively consider acquisitions or investments, some of which may be material. Through the acquisitions we pursue, we may seek opportunities to expand the scope of our existing services we provide, add new clients or to enter new geographic markets. We have made acquisitions in the past, including our acquisitions in 2010 of the American Express Global Travel Services Center located in Gurgaon, India and PDMA, developer of the LifePRO® insurance policy administration platform, and our acquisitions in 2011 of OPI and Trumbull. There can be no assurance that we will successfully identify suitable candidates in the future for strategic transactions at acceptable prices, have sufficient capital resources to finance potential acquisitions or be able to consummate any desired transactions. Our failure to close transactions with potential acquisition targets for which we have invested significant time and resources could have a material adverse effect on our financial condition and cash flows.

Acquisitions, including completed acquisitions, involve a number of risks, including diversion of management’s attention, ability to finance the acquisition on attractive terms, failure to retain key personnel or

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valuable customers, legal liabilities and the need to amortize acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows. Future acquisitions may also result in the incurrence of indebtedness or the issuance of additional equity securities.

We could also experience financial or other setbacks if transactions encounter unanticipated problems, including problems related to execution, integration or underperformance relative to prior expectations. Our management may not be able to successfully integrate any acquired business into our operations or maintain our standards, controls and policies, which could have a material adverse effect on our business, results of operations and financial condition. Consequently, any acquisition we do complete may not result in long-term benefits to us.

Following the completion of an acquisition, we may have to rely on the seller to provide administrative and other support, including financial reporting and internal controls, and other transition services to the acquired business for a period of time. There can be no assurance that the seller will do so in a manner that is acceptable to us.

Employee wage increases may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Our most significant costs are the salaries and related benefits of our operations staff and other employees. For example, wage costs in India have historically been significantly lower than wage costs in the U.S. and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, because of rapid economic growth in India, increased demand for BPO services from India and increased competition for skilled employees in India, wages for comparably skilled employees in India are increasing at a faster rate than in the U.S. and Europe, which may reduce this competitive advantage. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive in attracting and retaining the quality and number of employees that our business requires. Wages are generally higher for employees performing transformation services than for employees performing BPO services. As the scale of our transformation services increases, wages as a percentage of revenues will likely increase. To the extent that we are not able to control or share wage increases with our clients, wage increases may reduce our margins. We will attempt to control such costs by our efforts to add capacity in locations where we consider wage levels of skilled personnel to be satisfactory, but we may not be successful in doing so. Additionally, because a majority of our employees are based in India and paid in Indian rupees, while our revenues are primarily in U.S. dollars and U.K. pounds sterling, our employee costs as a percentage of revenues may increase or decrease significantly if the exchange rates among the Indian rupee, the U.K. pound sterling and the U.S. dollar fluctuate significantly.

If more stringent labor laws become applicable to us or if our employees unionize, our profitability may be adversely affected.

India has stringent labor legislation that protects employee interests, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Though we are exempt from some of these labor laws at present under exceptions in some states for providers of IT-enabled services, there can be no assurance that such laws will not become applicable to us in the future. If these labor laws become applicable to our employees, it may become difficult for us to maintain flexible human resource policies and attract and employ the numbers of sufficiently qualified candidates that we need or discharge employees, and our compensation expenses may increase significantly.

In addition, our employees may in the future form unions. If employees at any of our operations centers become eligible for union membership, we may be required to raise wage levels or grant other benefits that could result in an increase in our compensation expenses, in which case our profitability may be adversely affected.

The Government of India has recently focused on the occupational health and safety concerns experienced by workers in the outsourcing industry. The introduction of legislation imposing restrictions on working hours or conditions of professionals in the outsourcing industry could have an adverse effect on our business, results of operations and financial condition.

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We face significant competition from U.S.-based and non-U.S.-based outsourcing and information technology companies and from our clients, who may perform outsourcing services themselves, either in-house, in the U.S. or through offshore groups or other arrangements.

The market for outsourcing services is highly competitive, and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are breadth and depth of process expertise, knowledge of industries served, service quality, the ability to attract, train and retain qualified people, compliance rigor, global delivery capabilities, price and sales and client management capabilities. We also face competition from non-U.S.-based outsourcing and IT companies (including those in the U.K. and India) and U.S.-based outsourcing and IT companies. In addition, the trend toward offshore outsourcing, international expansion by foreign and domestic competitors and continuing technological changes, such as cloud computing, will result in new and different competition for our services. These competitors may include entrants from the communications, software and data networking industries or entrants in geographic locations with lower costs than those in which we operate. Some of these existing and future competitors have greater financial, personnel and other resources, a broader range of service offerings, greater technological expertise, more recognizable brand names and more established relationships in industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. The trend in multi-vendor relationships has been growing, which could reduce our revenues to the extent that we are required to modify the terms of our relationship with clients or that clients obtain services from other vendors. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could result in reduced operating margins, which could harm our business, results of operations, financial condition and cash flows.

We expect competition to intensify in the future as more companies enter our markets. Increased competition may result in lower prices and volumes, higher costs for resources, especially people, and lower profitability. We may not be able to supply clients with services that they deem superior and at competitive prices and we may lose business to our competitors. Any inability to compete effectively would adversely affect our business, results of operations and financial condition.

We may disrupt our clients' operations as a result of inadequate service or other factors, including telecommunications or technology downtime or interruptions.

The services we provide are often critical to our clients' businesses, and any failure to provide those services could result in a reduction in revenues or a claim for substantial damages against us, regardless of whether we are responsible for that failure. Most of our agreements with clients contain service level and performance requirements, including requirements relating to the quality of our services. Failure to consistently meet service requirements of a client or errors made by our employees in the course of delivering services to our clients could disrupt the client's business and result in a reduction in revenues or a claim for damages against us. Additionally, we could incur certain liabilities if a process we manage for a client were to result in internal control failures or impair our client's ability to comply with its own internal control requirements. Under a majority of our agreements with our clients, our liability for breach of certain of our obligations is generally limited to actual damages suffered by the client and is typically capped at the greater of an agreed amount or the fees paid or payable to us for a period of time under the relevant agreement. These limitations and caps on liability may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients or liability for breaches of confidentiality, are generally not limited under those agreements. Our agreements are governed by laws of multiple jurisdictions, therefore the interpretation of such provisions, and the availability of defenses to us, may vary, which may contribute to the uncertainty as to the scope of our potential liability.

Our dependence on our offshore operations centers requires us to maintain active voice and data communications among our operations centers, our international technology hubs and our clients' offices.

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Although we maintain redundant facilities and communications links, disruptions could result from, among other things, technical breakdowns, computer glitches and viruses and weather conditions. We also depend on certain significant vendors for facility storage and related maintenance of our main technology equipment and data at those technology hubs. Any failure by these vendors to perform those services, any temporary or permanent loss of our equipment or systems, or any disruptions to basic infrastructure like power and telecommunications could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, reduce our revenues and harm our business.

Our business could be materially and adversely affected if we do not protect our intellectual property or if our services are found to infringe on the intellectual property of others.

Our success depends in part on certain methodologies, practices, tools and technical expertise we utilize in designing, developing, implementing and maintaining applications and other proprietary intellectual property rights. In order to protect our rights in these various intellectual properties, we rely upon a combination of nondisclosure and other contractual arrangements as well as trade secret, copyright and trademark laws. We also generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to and distribution of our proprietary information. We also have submitted and expect to continue to submit U.S. federal and foreign trademark applications for the names of certain service offerings. We may not be successful in maintaining or obtaining trademarks for these trade names. India is a member of the Berne Convention, an international intellectual property treaty, and has agreed to recognize protections on intellectual property rights conferred under the laws of other foreign countries, including the laws of the U.S. There can be no assurance that the laws, rules, regulations and treaties in effect in the U.S., India and the other jurisdictions in which we operate and the contractual and other protective measures we take, are adequate to protect us from misappropriation or unauthorized use of our intellectual property, or that such laws will not change. We may not be able to detect unauthorized use and take appropriate steps to enforce our rights, and any such steps may not be successful. Infringement by others of our intellectual property, including the costs of enforcing our intellectual property rights, may have a material adverse effect on our business, results of operations and financial condition.

Our client contracts generally require our clients to indemnify us for any breaches of intellectual property or licenses to third party software when our clients provide such access to us. Although we believe that we are not infringing on the intellectual property rights of others, claims may nonetheless be asserted against us in the future. The costs of defending any such claims could be significant, and any successful claim may require us to modify, discontinue or rename any of our services. Any such changes may have a material adverse effect on our business, results of operations and financial condition.

Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems or otherwise, could expose us to protracted and costly litigation and cause us to lose clients.

We are typically required to collect and store sensitive data in connection with our services, including names, addresses, social security numbers, personal health information, credit card account numbers, checking and savings account numbers and payment history records, such as account closures and returned checks. As a result, we are subject to various data protection and privacy laws in countries in which we operate. In addition, many of our agreements with our clients do not include any limitation on our liability to them with respect to breaches of our obligation to keep the information we receive from them confidential. We devote substantial resources to maintaining adequate levels of cybersecurity and to protecting confidential client and customer data. However, any network infrastructure may be vulnerable to rapidly evolving cyber attacks. If any person, including any of our employees, penetrates our network security or otherwise mismanages or misappropriates sensitive data, we could be subject to significant liability and lawsuits from our clients or their own customers for breaching contractual confidentiality provisions or privacy laws. We have obtained privacy and network security insurance for claims related to breaches of our privacy and network security, including unauthorized access to or disclosure of sensitive data, suspension or interruption of our network infrastructure, transmission of computer viruses or failure to comply with our privacy and network security procedures. However, such coverage may not

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be adequate or may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claims. Cyber attacks penetrating the network security of our data centers could also have a negative impact on our reputation and client confidence, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may not be fully insured for all losses we may incur.

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, limitations of liability set forth in our contracts may not be enforceable in all instances or may not otherwise protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have general liability insurance coverage, including coverage for errors or omissions, property damage or loss and breaches of privacy and network security, that coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows.

Oak Hill Capital Partners, L.P and certain of its affiliates and Rohit Kapoor exercise significant influence over us, and their interests in our business may be different than yours.

A majority of the issued and outstanding shares of our common stock are currently beneficially owned by Oak Hill Capital Partners, L.P. (Oak Hill) and certain of its affiliates and our President and Chief Executive Officer, Rohit Kapoor. As of December 31, 2011, Oak Hill and certain of its affiliates beneficially owned 5,542,504 shares (or 17.8%) of our outstanding common stock; and Mr. Kapoor and certain trusts for his benefit and that of his family collectively beneficially owned 1,741,697 shares (or 5.6%) of our outstanding common stock. Accordingly, each of these parties can exercise significant influence over our business policies and affairs and all matters requiring a stockholders' vote, including the composition of our board of directors, the adoption of amendments to our certificate of incorporation and the approval of mergers or sales of substantially all of our assets. This concentration of ownership also may delay, defer or even prevent a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may conflict with your interests.

We do not intend to pay dividends in the foreseeable future, and, because we are a holding company, we may be unable to pay dividends.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent on then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, including restrictions under our credit agreement, business prospects and other factors that our board of directors considers relevant. Furthermore, because we are a holding company, any dividend payments would depend on the cash flow of our subsidiaries. Accordingly, we may not be able to pay dividends even if our board of directors would otherwise deem it appropriate.

We may choose to expand operations to additional countries and may not be successful in maintaining our current profit margins in our new locations due to factors beyond our control.

We are currently continuing to evaluate additional locations outside our current operating geographies in which to invest in an operations center. We cannot predict the extent of government support, availability of qualified workers, or monetary and economic conditions in other countries. Although some of these factors will influence our decision to establish operations in another country, there are inherent risks beyond our control, including exposure to currency fluctuations, political uncertainties, foreign exchange restrictions and foreign

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regulatory restrictions. One or more of these factors or other factors relating to expanded international operations could result in increased operating expenses and make it more difficult for us to manage our costs and operations, which could harm our business and negatively impact our operating results.

We may increase the range of services that we provide to our clients and our business and future prospects are difficult to evaluate.

We are exploring opportunities to provide services that we have not provided to date. Should we decide to expand our service offerings, our results of operations may be negatively affected during any transition or growth period before such offerings achieve profitability. For example, we may need to expand our training of our existing employees or recruit new, specially-trained employees to provide these services, which could increase our costs of revenues disproportionately to the revenues generated by such services. Other challenges we may face include the diversion of our management's attention, attracting and retaining clients for such services, integrating any new services into our current suite of services and managing any resulting growth in our operations.

Failure to adhere to the regulations that govern our business could have an adverse impact on our operations.

Our clients are often subject to regulations that may require that we comply with certain rules and regulations in performing services for them that would not otherwise apply to us. Debt collection services, for example, may be subject to the Fair Debt Collection Practices Act, which regulates debt collection practices. In addition, many U.S. states require a debt collector to apply for, be granted and maintain a license to engage in debt collection activities in a state. We are currently licensed (or exempt from licensing requirements) to provide debt collection services in the U.S. from India in all but two U.S. states and from the Philippines in 35 U.S. states that have non-exempt requirements and have separate conditional exemptions with respect to our ongoing collection obligations. If we do not maintain our licenses or other qualifications to provide our services, we may not be able to provide services to existing customers or be able to attract new clients and could lose revenues, which could have a material adverse effect on our business. Other U.S. federal laws and regulations that apply to certain portions of our business include the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996, the HITECH Act of 2009, the Truth in Lending Act, the Fair Credit Billing Act and FDIC rules and regulations. We must also comply with applicable regulations relating to healthcare and other personal information that we must process as part of our services. Our agreements with some of our clients require us to remain knowledgeable about and comply with a number of relevant consumer protection laws and other regulatory requirements. Failure to perform our services in a manner that complies with any such requirement could result in breaches of contracts with our clients. Our failure to comply with any applicable laws and regulations could subject us to civil fines and criminal penalties.

Risks Related to the International Nature of Our Business

Our financial condition could be negatively affected if foreign governments reduce or withdraw tax benefits and other incentives currently provided to companies within our industry, or if the same are not available for other reasons.

Under the Income Tax Act, 1961 of India, we previously benefited from certain tax incentives promulgated by the Indian government, including a tax holiday from Indian corporate income taxes for the operation of some of our Indian operations centers. The tax benefit for most of our operations centers in India expired on April 1, 2011. Our operations centers in Jaipur and Noida, which were established in SEZs in 2010, are eligible for tax incentives until 2020. As part of the OPI Acquisition, we also acquired operations centers in Bengaluru and Kochi, India that are also established in SEZs. The operations center in Bengaluru will complete its first five years of operations on March 31, 2012. Under the tax regulations, the Bengaluru operations center will be entitled to a 50% tax exemption on profits from April 1, 2012, after which there will be an increase in the tax expense for such center. We anticipate establishing additional operations centers in SEZs in the future.

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The Direct Taxes Code Bill 2010 (the Direct Taxes Code) proposed by the Government of India and currently pending before the Indian Parliament proposes grandfathering the existing profit-based tax benefits for operations centers in SEZs already receiving such tax benefits. The Direct Taxes Code also proposes discontinuing profit-based incentives for operations centers in SEZs set up after March 31, 2014 and replaces them with investment-based incentives for operations centers in SEZs established after that date. Accordingly, we expect to continue receiving the benefit of tax deductions for our existing operations centers in SEZs pursuant to the current regulations until the currently proposed March 31, 2014 sunset date. If this grandfathering does not happen under the Direct Taxes Code and if the sunset date is brought forward, our new operations centers in SEZs will not receive profit-based tax benefits. Without such benefits, we expect that our tax rate in India and our overall tax rate will increase over the next few years and that such increase may be material.

We currently benefit from a four-year income tax holiday for one of our operations centers in the Philippines that will expire in the middle of 2012 but is extendable for an additional two years. Our new operations center in the Philippines, inaugurated in January 2012, will also benefit from a four-year income tax holiday that is extendable for an additional two years. While we intend to apply for extensions of these holidays when they expire, it is possible that such extensions could be denied, or these holidays could be removed entirely due to changes in the government of the Philippines. Should either of these events occur, our Philippine tax liability could increase.

We may be required to pay additional taxes in connection with audits by the Indian taxing authorities.

U.S. and Indian transfer pricing regulations require that any international transaction involving associated enterprises be at an arm's-length price. Transactions among the Company's subsidiaries and the Company may be required to satisfy such requirements. Accordingly, the Company determines the pricing among its associated enterprises on the basis of detailed functional and economic analysis involving benchmarking against transactions among entities that are not under common control. The tax authorities have jurisdiction to review this arrangement and in the event that they determine that the transfer price applied was not appropriate, the Company may incur increased tax liability, including accrued interest and penalties. The Company is currently involved in disputes with the Indian tax authorities over the application of some of its transfer pricing policies for past years. Please see Note 17 to our consolidated financial statements for details.

Based on advice from our Indian tax advisors, the facts underlying our position and our experience with these types of assessments, we continue to believe that the probability of loss is remote and have not accrued any amount with respect to these matters in our consolidated financial statements. Any amounts paid by us as deposits will be refunded to us with interest or applied toward outstanding disputes at such time if we succeed in our appeals with the appropriate tax authorities. We cannot assure you that our appeals will be successful or that these appeals will be finally resolved in the near future.

Introduction of tax legislation and disputes with tax authorities may have an adverse effect on our operations and our overall tax rate.

Governments in countries in which we operate or provide services could enact new tax legislation which would have a material adverse effect on our business, results of operations and financial condition. In addition, our ability to repatriate surplus earnings from our operations centers in a tax-efficient manner is dependent upon interpretations of local laws, possible changes in such laws and the renegotiation of existing double tax avoidance treaties. Changes to any of these may adversely affect our overall tax rate, which would have a material adverse effect on our business, results of operations and financial condition. Additionally, if a tax authority in any jurisdiction reviews any of our tax returns and determines that the transfer prices and terms we have applied are not appropriate, or that other income of our affiliates should be taxed in that jurisdiction, we may incur increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows.

Currency fluctuations among the Indian rupee, the U.K. pound sterling, the Philippine peso and the U.S. dollar could have a material adverse effect on our results of operations.

Although a substantial portion of our revenues are denominated in U.K. pounds sterling (22.0% in 2011) or U.S. dollars (71.8% in 2011), most of our expenses (57.6% in 2011) are incurred and paid in Indian rupees. We report our financial results in U.S. dollars. The exchange rates among the Indian rupee, the U.K. pound sterling, the Philippine peso and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. Although we take steps to hedge a substantial portion of our Indian rupee/U.S. dollar foreign currency exposures, our results of operations may be adversely affected if the Indian rupee fluctuates significantly against the U.K. pound sterling or the U.S. dollar, the U.K. pound sterling further depreciates against the U.S. dollar, our hedging strategy is unsuccessful or if the hedging markets have insufficient liquidity or depth to allow us to implement our hedging strategy in a cost-effective manner. Any failure by our hedging counterparties to meet their contractual obligations could materially and adversely affect our profitability. We are subject to legal restrictions on hedging activities as well as the convertibility of currencies in India. This could limit our ability to use cash generated in one country in another country and could limit our ability to hedge our exposures.

Terrorist attacks and other acts of violence involving India, the Philippines, the U.S. or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war, including those involving India, the Philippines, the U.S. or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations and financial condition. These events could adversely affect our clients' levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to our operations centers. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including Bangladesh, Pakistan and China. In recent years there have been several instances of military confrontations along the Indo-Pakistani border. There continues to be potential for hostilities between India and Pakistan due to recent terrorist activities and the geopolitical climate along the border. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have a material adverse effect on the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate. Our insurance policies may not insure us against losses and interruptions caused by terrorist attacks and other acts of violence or war.

We may face difficulties as we expand our operations into countries in which we have no prior operating experience.

We intend to continue to expand our global footprint in order to maintain an appropriate cost structure and meet our clients' delivery needs. This may involve expanding into countries other than those in which we currently operate. It may involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. As we expand our business into new countries we may encounter regulatory, personnel, technological and other difficulties that increase our expenses or delay our ability to start up our operations or become profitable in such countries. This may affect our relationships with our clients and could have an adverse effect on our business, results of operations and financial condition.

A substantial portion of our assets and operations are located in India, and we are subject to regulatory, economic and political uncertainties in India.

Our principal operating subsidiaries are incorporated in India, and a majority of our assets and our professionals are located in India. We intend to continue to develop and expand our offshore facilities in India. In

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the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. The Indian government, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. India's government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the BPO industry. Certain of those programs, which have benefited us, include tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that liberalization policies will continue. Various factors, such as changes in the current federal government, could trigger significant changes in India's economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular.

The choice of India as an outsourcing destination and our financial performance may be adversely affected by general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies, as well as social stability and political, economic or diplomatic developments affecting India in the future. In particular, India has experienced significant economic growth over the last several years, but faces major challenges in sustaining that growth in the years ahead. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Our ability to recruit, train and retain qualified employees, develop and operate our operations centers, and attract and retain clients could be adversely affected if India does not successfully meet these challenges.

The Philippines periodically experiences political or economic instability, which could disrupt our operations, increase our costs and harm our business.

The Philippines has experienced significant inflation, currency declines and shortages of foreign exchange. We are exposed to the risk of cost increases due to inflation in the Philippines, which has historically been at a much higher rate than in the U.S. These conditions could create political or economic instability that could harm businesses operating in the Philippines.

In addition, the Philippines has experienced and may continue to experience civil unrest, terrorism and political turmoil, resulting in temporary work stoppages and telecommunication or other technology outages. These instabilities and any adverse changes in the political environment in the Philippines could increase our operational costs, increase our exposure to legal and business risks and make it more difficult for us to operate our business in the Philippines.

Restrictions on entry visas may affect our ability to compete for and provide services to clients in the U.S., which could have a material adverse effect on future revenues.

The vast majority of our employees are Indian nationals. The ability of some of our executives and employees to work with and meet our U.S. and European clients and our clients from other countries depends on their ability to obtain the necessary visas and entry permits. In response to terrorist attacks, the global economic downturn and public sentiments about the high unemployment rates in their respective economies, U.S. and European immigration authorities have increased the level of scrutiny in granting visas. Immigration laws in those countries may also require us to meet certain levels of compensation and comply with other legal requirements as a condition to obtaining or maintaining entry visas. These restrictions have increased the application fees for certain types of visas and have significantly lengthened the time requirements to obtain visas for our personnel, which has in the past resulted, and may continue to result, in delays in the ability of our personnel to meet with our clients. In addition, immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events, including terrorist attacks. We cannot predict the political or economic events that could affect immigration laws or any restrictive impact those events could have on obtaining or monitoring entry visas for our professionals. If we are unable to obtain the necessary visas for personnel who need to get to our clients' sites, or if the duration of such visas is shortened or if such visas are delayed, we may not be able to provide services to our clients or to continue to provide these services on a timely and cost effective basis, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located, which could have a material adverse effect on our business. Past outbreaks of Severe Acute Respiratory Syndrome, avian influenza, or bird flu, or H1N1 across Asia and Europe have adversely affected a number of countries and companies. Although we have not been adversely impacted by these recent outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business.

We are vulnerable to natural disasters that could severely disrupt the normal operation of our business and adversely affect our business, results of operation and financial condition.

India and the Philippines are susceptible to natural disasters, including typhoons, tsunamis, floods and earthquakes. The Philippines is additionally susceptible to volcanic eruptions. Substantially all of our operations centers and employees are located in India and the Philippines. If our operations centers are damaged by a typhoon, tsunami, flood, earthquake, volcanic eruption or other natural disaster, our operations and our ability to provide services to our clients could be interrupted or delayed significantly. Our insurance coverage may not be sufficient to cover all of our potential losses. In addition, although all of our operations centers have access to other power sources, disaster management facilities in India may not be adequate to protect against potential losses. In addition, clients may terminate their contracts with us if we cannot resume providing services quickly enough. As a result, a natural disaster in India or the Philippines could have a material adverse effect on our business, results of operation and financial condition.

Investors may have difficulty effecting service of process or enforcing judgments obtained in the U.S. against our subsidiaries in India or our executive officers.

Our primary operating subsidiaries are organized outside the U.S. and a number of our executive officers reside outside of the U.S. A substantial portion of our assets are located in India. As a result, you may be unable to effect service of process upon our affiliates who reside in India outside their jurisdiction of residence. In addition, you may be unable to enforce against these persons outside the jurisdiction of their residence judgments obtained in courts of the U.S., including judgments predicated solely upon the federal securities laws of the U.S.

Sections 44A and Section 13 of the Indian Civil Procedure Code, 1908, or the Civil Code, govern recognition and enforcement of foreign judgments. Section 44A of the Civil Code provides for recognition and enforcement of a foreign judgment without having to file an original suit in India, provided such judgments have been rendered by courts in a country or territory outside India which the Government of India has declared to be a reciprocating territory. We have been advised by our Indian counsel that the U.S. and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than certain arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the U.S. based on civil liability, whether or not it is predicated upon the federal securities laws of the U.S., would not be enforceable in India as such.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in India based on a final judgment that has been obtained in the U.S., Section 13 of the Civil Code provides that the foreign judgment will be conclusive as to certain matters. The suit must be brought in India within three years of the date of the foreign judgment. It is unlikely, however, that a court in India would award damages on the same basis as a court in the U.S. if an action is brought in India. It is also unlikely that an Indian court would enforce judgments obtained in the U.S. if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice.

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ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our corporate headquarters is located in New York, New York. We have fifteen operations centers in India, two in Bulgaria, one each in the Philippines, Malaysia, the Czech Republic and Romania with an aggregate area of approximately 1,500,286 square feet and a current installed capacity of approximately 17,529 agent workstations that operate on an uninterrupted 24/7 basis and are available to be staffed on a three-shift basis. We also have five operations centers in the U.S. and a sales office in London, U.K. Our networking and telecommunication hubs are located in Sunnyvale, California, Jersey City, New Jersey and New York, New York. All of our operations centers are equipped with fiber connectivity and have access to other power sources. Substantially all of our operations centers are leased under long-term leases with varying expiration dates, except for an operation center in Pune, India with an approximate area of 86,361 sq. ft. and containing 1,325 agent workstations which we own. We do not have the option under our present lease agreements to buy any of these properties.

ITEM 3. Legal Proceedings

In the course of our normal business activities, various lawsuits, claims and proceedings may be instituted or asserted against us. We believe that the disposition of matters currently instituted or asserted will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Please see Note 17 to our consolidated financial statements for details regarding our tax proceedings.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II.**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock trades on the Nasdaq Global Select Market under the symbol "EXLS."

The following table sets forth for the periods indicated the high and low sales prices for shares of our common stock as reported by the Nasdaq Global Select Market.

<u>Calendar Period</u>	<u>Price Range</u>	
	<u>High</u>	<u>Low</u>
2011		
First Quarter	\$22.49	\$18.63
Second Quarter	\$24.75	\$17.94
Third Quarter	\$26.55	\$21.59
Fourth Quarter	\$26.99	\$21.30
2010		
First Quarter	\$19.51	\$15.64
Second Quarter	\$19.00	\$14.61
Third Quarter	\$20.00	\$15.96
Fourth Quarter	\$22.05	\$18.36

As of February 29, 2012, there were 20 holders of record of our outstanding common stock.

We have not paid or declared any cash dividends on our common stock. We currently expect to retain all of our earnings for use in developing our business and do not anticipate paying any cash dividends in the foreseeable future. Future cash dividends, if any, will be paid at the discretion of our board of directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our board of directors may deem relevant.

Issuer Purchases of Equity Securities

During the year ended December 31, 2011, the Company acquired 61,299 shares of common stock for a total consideration of \$1,438,750, which was related to an option agreement between the Company and Prudential Financial, Inc. (Prudential) dated July 1, 2004. The purchase price of \$23.47 per share was the average closing price for the 30-day period on the Nasdaq Global Select Market preceding the date of exercise of options by Prudential. The shares acquired are held as treasury stock.

During the year ended December 31, 2011, the Company also acquired 9,596 shares of common stock from employees in connection with withholding tax payments related to the vesting of restricted stock for a total consideration of \$184,848. The weighted average purchase price of \$19.26 per share was the average of the high and low price of the Company's share of common stock on the Nasdaq Global Select Market on the trading day prior to the vesting date of the shares of restricted stock. The shares acquired are held as treasury stock.

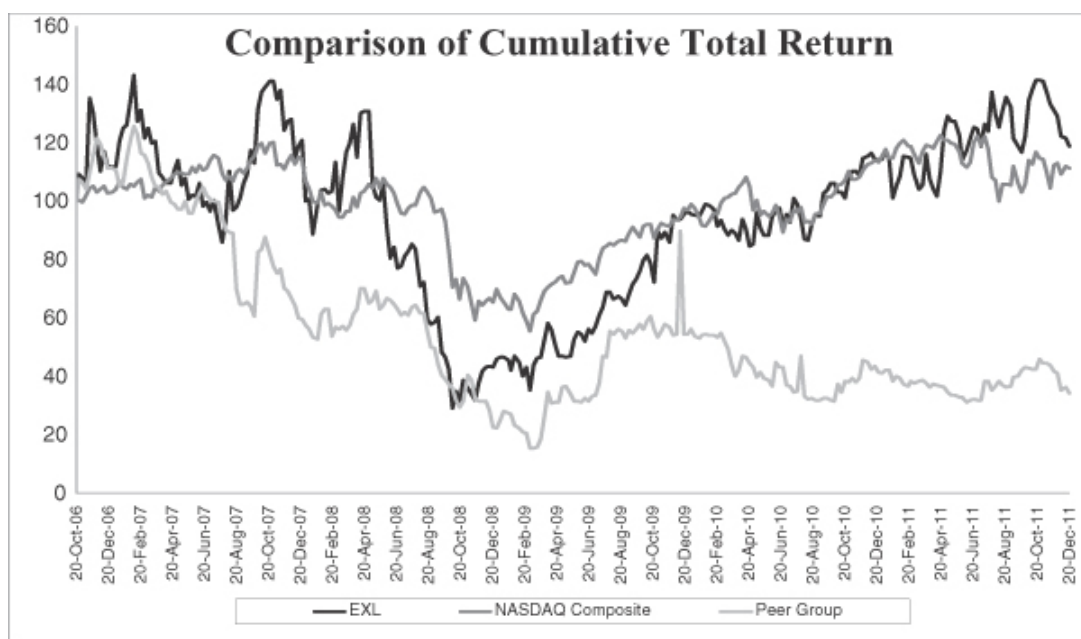
[Table of Contents](#)**Equity Compensation Plan Information**

The following table provides information as of December 31, 2011 with respect to the shares of our common stock that may be issued under our existing equity compensation plans. For a description of our equity compensation plans, please see Note 14 to our consolidated financial statements.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise/Vesting of Outstanding Equity Awards</u>	<u>Weighted Average Exercise Price of Outstanding Options</u>	<u>Number of Securities Available for Future Issuance Under Equity Compensation Plans</u>
Equity compensation plans that have been approved by security holders	4,153,621	\$ 13.22	2,729,370
Equity compensation plans not approved by security holders	—	—	—
Total	<u>4,153,621</u>	<u>\$ 13.22</u>	<u>2,729,370</u>

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return of the Nasdaq 100 Index (capitalization weighted), our peer group of companies for the period beginning October 20, 2006. Our peer group of companies is comprised of two companies that we believe are our closest reporting issuer competitors: Genpact Limited and WNS (Holdings) Limited. The returns of the component entities of our peer group index are weighted according to the market capitalization of each entity as of the beginning of each period for which a return is presented. The stock performance shown on the graph below is not indicative of future price performance.



This graph will not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. This graph will not be deemed to be incorporated by reference into any prior or subsequent filing under the Securities Act of 1933 or the Exchange Act.

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ITEM 6. Selected Financial Data

The following table sets forth our selected consolidated historical financial data as of the dates and for the periods indicated. Our selected consolidated financial data set forth below as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 has been derived from our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Our selected consolidated financial data set forth below as of December 31, 2009, 2008 and 2007 and for each of the years ended December 31, 2008 and 2007 are derived from our audited financial statements, which are not included in this Annual Report on Form 10-K. Our selected consolidated financial information for 2011, 2010 and 2009 should be read in conjunction with our consolidated financial statements and the notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which are included elsewhere in this Annual Report on Form 10-K.

	Year ended December 31,				
	2011	2010	2009	2008	2007
	(in millions, except share and per share data)				
Consolidated Statement of Operations Data:					
Total revenues	\$ 360.5	\$ 252.8	\$ 191.0	\$ 181.7	\$ 152.0
Cost of revenues (exclusive of depreciation and amortization)	220.0	151.3	109.4	112.4	100.1
Gross profit	140.5	101.5	81.6	69.3	51.9
Selling, general and administrative expenses	76.2	59.1	45.8	42.4	37.9
Depreciation and amortization expenses	23.0	15.9	11.4	11.2	9.2
Income from continuing operations	41.3	26.5	24.4	15.7	4.8
Total other income/(expense)	5.4	5.6	(4.9)	(5.9)	11.8
Income from continuing operations before income taxes	46.7	32.1	19.5	9.8	16.6
Income tax provision/(benefit)	11.9	5.5	3.7	(1.3)	(1.0)
Income from continuing operations	34.8	26.6	15.8	11.1	17.6
Income/(loss) from discontinued operations, net of taxes	—	—	(0.1)	3.3	9.4
Net income to common stockholders	<u>\$ 34.8</u>	<u>\$ 26.6</u>	<u>\$ 15.7</u>	<u>\$ 14.4</u>	<u>\$ 27.0</u>
Earnings per share:					
Basic:					
Continuing operations	\$ 1.15	\$ 0.91	\$ 0.55	\$ 0.39	\$ 0.62
Discontinued operations	\$ —	\$ —	\$ —	\$ 0.11	\$ 0.33
Diluted:					
Continuing operations	\$ 1.10	\$ 0.88	\$ 0.54	\$ 0.38	\$ 0.60
Discontinued operations	\$ —	\$ —	\$ —	\$ 0.11	\$ 0.32
Weighted average number of common shares outstanding					
Basic	30,264,805	29,281,364	28,963,770	28,811,040	28,480,033
Diluted	31,546,144	30,388,520	29,417,910	29,212,045	29,191,199

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	Year ended December 31,				
	2011	2010	2009	2008	2007
(in millions)					
Consolidated Statement of Financial Position Data:					
Cash and cash equivalents	\$ 82.4	\$ 111.2	\$ 132.2	\$ 112.2	\$ 101.4
Working capital ⁽¹⁾	94.6	126.4	139.5	118.8	119.6
Total assets	377.4	305.7	249.6	212.0	218.4
Other long term obligations ⁽²⁾	26.7	9.2	5.6	0.2	0.3
Stockholders' equity	\$278.5	\$248.5	\$205.7	\$171.3	\$174.0

(1) Working capital means total current assets less total current liabilities.

(2) Other long term obligations include unrecognized tax benefits, retirement benefits, capital leases, deferred rent and unrealized losses on effective cash flow hedges.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in connection with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Some of the statements in the following discussion are forward looking statements. See “—Forward Looking Statements.”

Overview

We are a leading provider of outsourcing and transformation services and focus on providing our clients with a positive business impact and enhancing their long term financial value. We customize our services to improve the economics of business performance and transform organizations to be leaner and more flexible. Our outsourcing services provide front-, middle- and back-office processing services for our primarily U.S.-based and U.K.-based clients. Outsourcing services involve the transfer to us of select business operations of a client, such as claims processing, finance and accounting and customer service, after which we administer and manage the operations for our client on an ongoing basis. We also offer a number of transformation services that include decision analytics, finance transformation and operations and process excellence services. These transformation services help our clients improve their operating environments through cost reduction, enhanced efficiency and productivity initiatives, and improve the risk and control environments within our clients’ operations whether or not they are outsourced to us. We serve primarily the needs of Global 1000 companies in the insurance and healthcare, utilities, banking and financial services, transportation and logistics and travel sectors.

On May 31, 2011, we completed the OPI Acquisition, pursuant to a Merger Agreement, dated as of April 30, 2011. The aggregate consideration paid to OPI’s former stockholders in the OPI Acquisition was \$91.0 million in cash, excluding adjustments based on OPI’s working capital, debt and certain expenses incurred by OPI in connection with the consummation of the OPI Acquisition.

We acquired OPI to strengthen our position as a provider of finance and accounting outsourcing services. At the time of the acquisition, OPI had over 3,700 professionals globally and approximately 80 clients. By combining our existing finance and accounting outsourcing and transformation capabilities with OPI’s finance and accounting outsourcing capabilities and proprietary technology tools, we intend to provide a comprehensive set of finance and accounting services to our clients. The OPI Acquisition also furthers a strategic objective of leveraging technology and proprietary intellectual property in our service delivery.

On October 1, 2011, we acquired Trumbull, a market leader in subrogation services for property and casualty insurance companies, from the Hartford Financial Services Group, Inc. (Hartford). With the Trumbull Acquisition, we have strengthened our leadership position in the insurance industry with a highly skilled and experienced employee base and access to an advanced software platform, and have become a leading provider of complex insurance subrogation outsourcing services.

We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by industry verticals and cross-industry domains such as finance and accounting. Our sales and client management teams operate from the U.S. and Europe and are supported by our business development team, which operates from the U.S. and India. In 2011, we strengthened our marketing efforts with new leadership, an expanded team and the execution of integrated marketing campaigns. We operate twelve operations centers in India, two operations centers in the U.S., and one operations center in each of Philippines, Romania and the Czech Republic. In addition to these operations centers, we acquired three operations centers in India, two operations centers in Bulgaria, one operations center in Malaysia and two operations centers in the U.S. as part of the OPI Acquisition. We also acquired an operations center in the U.S. as part of the Trumbull Acquisition. In December, 2011, we completed a significant expansion of our operations center located in Noida, India, which is eligible for tax incentives due to its location in a SEZ.

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In January 2012, we added an operations center in Manila, Philippines. In February 2012, we inaugurated the EXL Center for Talent in Noida, India, our first facility exclusively dedicated to recruitment, capability enhancement and talent development. We are also in the process of expanding several of our other operations centers globally.

Revenues

We generate revenues principally from contracts to provide outsourcing and transformation services. Total revenues increased \$107.8 million (or 42.6%) from \$252.8 million for the year ended December 31, 2010 to \$360.5 million for the year ended December 31, 2011.

Revenues from outsourcing services increased from \$192.1 million for the year ended December 31, 2010 to \$294.4 million for the year ended December 31, 2011. The increase in revenues from outsourcing services of \$102.3 million was driven primarily by revenues of \$63.6 million from the OPI Acquisition and the Trumbull Acquisition in 2011 and the acquisitions of American Express Global Travel Service Center (GTSC) and Professional Data Management Again (PDMA) in 2010, revenues from a one-time payment of \$2.3 million from a client with no associated costs and net volume increases from existing and new clients aggregating to \$38.3 million. These increases were offset partially by a net decrease in revenues of \$1.9 million, primarily due to the depreciation of the Indian rupee and appreciation of the U.K. pound sterling and Czech koruna against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Revenues from transformation services increased from \$60.7 million for the year ended December 31, 2010 to \$66.2 million for the year ended December 31, 2011. The increase was primarily due to a combination of increased revenues in recurring or annuity decision analytics services and an increase in project-based engagements both in our decision analytics and operations and process excellence services. Revenues from new clients for transformation services were \$0.9 million and \$4.1 million during the year ended December 31, 2011 and 2010, respectively.

We anticipate that our revenues will grow as we expand our service offerings and client base, both organically and through acquisitions. We provide our clients with a range of outsourcing services, such as insurance and healthcare, utilities, banking and financial services, transportation and logistics and travel sectors, as well as cross-industry BPO services, such as finance and accounting services. Our clients transfer the management and execution of their processes or business functions to us. As part of this transfer, we hire and train employees to work at our operations centers on the relevant outsourcing services, implement a process migration to these operations centers and then provide services either to the client or directly to the client's customers. Each client contract has different terms based on the scope, deliverables and complexity of the engagement. The outsourcing services we provide to any of our clients (particularly under our general framework agreements), and the revenues and income that we derive from those services, may decline or vary as the type and quantity of services we provide under those contracts change over time, including as a result of a shift in the mix of products and services we provide.

For outsourcing services, we enter into long-term agreements with our clients with typical initial terms ranging from three to eight years. These contracts also usually contain provisions permitting termination of the contract after a short notice period. Although these agreements provide us with a relatively predictable revenue base for a substantial portion of our business, the long selling cycle for our outsourcing services and the budget and approval processes of prospective clients make it difficult to predict the timing of new client acquisitions. Revenues under new client contracts also vary depending on when we complete the selling cycle and the implementation phase.

We offer a number of service offerings that we refer to collectively as transformation services. These offerings include decision analytics, finance transformation and operations and process excellence services. These transformation services focus on helping our clients by improving their operating environments through

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cost reduction, enhanced efficiency, higher productivity, improved effectiveness of business decisions and improved risk and control environment within our clients' operations whether or not they are outsourced to us.

Our transformation services can be significantly affected by variations in business cycles. We have experienced a significant increase in demand for our annuity-based transformation services, which are engagements that are contracted for one- to three-year terms. In addition, our transformation services consist primarily of specific projects with contract terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to further material fluctuations and uncertainties in the revenues generated from these businesses.

We serve clients mainly in the U.S. and the U.K., with these two regions generating approximately 71.8% and 22.0%, respectively, of our total revenues for the year ended December 31, 2011 and approximately 72.0% and 24.3%, respectively, of our total revenues for the year ended December 31, 2010.

We derive a significant portion of our revenues from a limited number of large clients. In the years ended December 31, 2011 and 2010, our total revenues from our three largest clients were \$114.6 million and \$104.2 million, respectively, accounting for 31.8% and 41.2% of our total revenues, respectively, during these periods.

We provide services to Travelers, which represented \$41.9 million, or 11.6%, of our total revenues for the year ended December 31, 2011 and \$36.3 million, or 14.4% of our total revenues for the year ended December 31, 2010, under a services agreement. Travelers may terminate the services agreement, which has no fixed term, or any work assignment or work order thereunder, each of which expires in December 2013, without cause upon 60 days prior notice.

We provide services to Centrica, which represented \$39.0 million, or 10.8%, of our total revenues for the year ended December 31, 2011 and \$38.5 million, or 15.2% of our total revenues for the year ended December 31, 2010, under an agreement that expires in April 2015. Centrica has the option to extend the contract for two annual extension periods. This contract can be terminated by Centrica without cause upon three months prior notice and payment of a breakup fee.

We provide services to American Express, which represented \$33.8 million, or 9.4% of our total revenues for the year ended December 31, 2011 and \$29.3 million, or 11.6% of our total revenues for the year ended December 31, 2010, under a separate agreement for each of our outsourcing services and transformation services. The master services agreement for our outsourcing services provides a minimum volume commitment over a period of eight years until February 2018 and renews automatically for successive twelve month periods unless either we or American Express provides notice six months prior to the expiration of the initial term. The master services agreement for our outsourcing services cannot be terminated by American Express without cause. The master agreement for our transformation services may be terminated by American Express without cause upon five days prior written notice.

We derived revenues from seventeen and twenty-one new clients for our services in the years ended December 31, 2011 and 2010, respectively. Although we are increasing and diversifying our customer base, we expect in the near future that a significant portion of our revenues will continue to be contributed by a limited number of large clients.

Revenues also include amounts representing reimbursable expenses that are billed to and reimbursed by our clients and typically include telecommunication and travel-related costs. The amount of reimbursable expenses that we incur, and any resulting revenues, can vary significantly depending on each client's situation and on the type of services we provide. For the years ended December 31, 2011 and 2010, 4.5% and 4.7%, respectively, of our total revenues represent reimbursement of such expenses.

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To the extent our client contracts do not contain provisions to the contrary, we bear the risk of inflation and fluctuations in currency exchange rates with respect to our contracts. We hedge a substantial portion of our Indian rupee/U.S. dollar, Philippine peso/U.S. dollar and U.K. pound sterling/U.S. dollar foreign currency exposure.

We have observed a shift in industry pricing models toward transaction-based pricing and other pricing models. We believe this trend will continue and we have begun to use transaction-based and other pricing models with some of our current clients and are seeking to move certain other clients from a billing rate model to a transaction-based or other pricing model. During the year ended December 31, 2011, 30% of our outsourcing revenues were generated from transaction-based pricing models. Such models place the focus on operating efficiency in order to maintain our operating margins. In addition, we have also observed that prospective larger clients are entering into multi-vendor relationships with regard to their outsourcing needs. We believe that the trend toward multi-vendor relationships will continue. A multi-vendor relationship allows a client to seek more favorable pricing and other contract terms from each vendor, which can result in significantly reduced operating margins from the provision of services to such client for each vendor. To the extent our large clients expand their use of multi-vendor relationships and are able to extract more favorable contract terms from other vendors, our operating margins and revenues may be reduced with regard to such clients if we are required to modify the terms of our relationship with such clients.

Expenses

Cost of Revenues

Our cost of revenues primarily consists of:

- employee costs, which include salary, bonus and other compensation expenses; recruitment and training costs; employee insurance; transport and meals; rewards and recognition for certain employees; and non-cash stock compensation expense; and
- costs relating to our facilities and communications network, which include telecommunication and IT costs; facilities and customer management support; operational expenses for our outsourcing centers; rent expenses; and travel and other billable costs to our clients.

The most significant components of our cost of revenues are employee compensation, recruitment, training, transport, meals, rewards and recognition and employee insurance. Salary levels, employee turnover rates and our ability to efficiently manage and utilize our employees significantly affect our cost of revenues. While salary increases are generally awarded each year effective April 1, in certain of our group companies, they are effective July 1. Accordingly, employee costs are generally lower in the first quarter of each year compared to the rest of the year. We make every effort to manage employee and capacity utilization and continuously monitor service levels and staffing requirements. Although we generally have been able to reallocate our employees as client demand has fluctuated, a contract termination or significant reduction in work assigned to us by a major client could cause us to experience a higher-than-expected number of unassigned employees, which would increase our cost of revenues as a percentage of revenues until we are able to reduce or reallocate our headcount. A significant increase in the turnover rate among our employees, particularly among the highly skilled workforce needed to execute certain services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins. In addition, cost of revenues also includes a non-cash amortization of stock compensation expense relating to our issuance of equity awards to employees directly involved in providing services to our clients.

We expect our cost of revenues to continue to increase as we continue to add professionals in our operating centers globally to service additional business and as wages continue to increase globally. In particular, we expect training costs to continue to increase as we continue to add staff to service new clients and provide existing staff with additional skill sets. There is significant competition for professionals with skills necessary to perform the services we offer to our clients. As our existing competitors continue to grow, and as new competitors enter the market, we expect competition for skilled professionals in each of these areas to continue to

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increase, with corresponding increases in our cost of revenues to reflect increased compensation levels for such professionals. However, a significant portion of our client contracts include adjustments towards inflation to our billing rates year over year which partially offset such increase in cost of revenues. We also expect our cost of revenues to increase due to employee turnover resulting in higher recruitment and training costs. See “Item 1A—Risk Factors—Employee wage increases may prevent us from sustaining our competitive advantage and may reduce our profit margin.”

Cost of revenues is also affected by our long selling cycle and implementation period for our outsourcing services, which require significant commitments of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them as to the value of our services and assessing the feasibility of integrating our systems and processes with theirs. In addition, once a client engages us in a new contract, our cost of revenues may represent a higher percentage of revenues until the implementation phase for that contract, generally three to four months, is completed.

Selling, General and Administrative Expenses

Our general and administrative expenses are comprised of expenses relating to salaries of senior management and other support personnel, legal and other professional fees, telecommunications, utilities and other miscellaneous administrative costs. Selling and marketing expenses primarily consist of salaries and other compensation expenses of sales and marketing and client management personnel, sales commission, travel and brand building, client events and conferences. We expect that sales and marketing expenses will continue to increase as we invest in our sales and client management functions to better serve our clients and in our branding. We also expect our costs to increase as we continue to strengthen our support and enabling functions and invest in leadership development, performance management and training programs. However, our SG&A as a percentage of revenues has declined from 23.4% in 2010 to 21.1% in 2011 as a result of our acquisition of OPI and operating leverage in 2011. SG&A expenses also include acquisition-related costs, professional fees, which represent the costs of third party legal, tax, accounting and other advisors, bad debt allowance and non-cash amortization of stock compensation expense related to our issuance of equity awards to senior management, members of our board of directors, other support personnel and consultants.

Depreciation and Amortization

Depreciation and amortization pertains to depreciation and amortization of our tangible assets, including network equipment, cabling, computers, office furniture and equipment, motor vehicles and leasehold improvements and intangible assets. As we add new facilities and expand our existing operations centers, we expect that depreciation expense will increase, reflecting additional investments in equipment such as desktop computers, servers and other infrastructure. Amortization of intangible assets acquired is included in depreciation and amortization. Amortization of intangible assets has increased substantially in 2011 due to the OPI Acquisition and the Trumbull Acquisition in 2011 and the acquisitions of GTSC and PDMA in 2010. We expect amortization of intangible assets to increase further as we pursue strategic relationships and acquisitions.

Foreign Exchange

Exchange Rates

We report our financial results in U.S. dollars. However, a significant portion of our total revenues is earned in U.K. pounds sterling (22.0% and 24.3%, respectively, of our total revenues for the year ended December 31, 2011 and 2010) while a significant portion of our expenses is incurred and paid in Indian rupees (57.6% and 58.4%, respectively, of our total costs for the years ended December 31, 2011 and 2010) and the Philippine peso (5.6% and 5.9%, respectively, of our total costs for the year ended December 31, 2011 and 2010). The exchange

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rates among the Indian rupee, the Philippine peso, the U.K. pound sterling and the U.S. dollar have changed substantially in recent years and may fluctuate in the future. The results of our operations could be substantially impacted as the Indian rupee and U.K. pound sterling appreciate or depreciate against the U.S. dollar. See Notes 2 and 7 to our consolidated financial statements and “Item 7A—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk.”

Currency Regulation

According to the prevailing foreign exchange regulations in India, an exporter of outsourcing and transformation services that is registered with a software technology park in India, such as our Indian subsidiaries in India, is required to realize its export proceeds within a period of 12 months from the date of exports. Similarly, in the event that such exporter has received any advance against exports in foreign exchange from its overseas customers, it will have to render the requisite services so that the advances so received are earned within a period of 12 months. If those subsidiaries in India did not meet these conditions, they would be required to obtain permission from the Reserve Bank of India.

Income Taxes

The fiscal year under the Indian Income Tax Act ends on March 31. Certain of the Company’s operations centers in India qualified for an exemption from corporate tax under Section 10A or 10B of the Indian Income Tax Act. This exemption was available for a period of ten consecutive years beginning with the financial year in which the operations center began to manufacture or produce eligible goods and services and expired on April 1, 2011. As a result of the expiry of the tax holiday period, the tax holiday period for those of the Company’s operations centers in India that had not expired on April 1, 2010 expired on April 1, 2011. Therefore, profits generated from the services provided from such operations centers have become fully taxable and consequently, the Company’s tax expense increased significantly in and may continue to be higher after 2011.

The Special Economic Zones Act, 2005 and rules framed thereunder (the SEZ regulations), introduced a 15-year tax holiday scheme for operations established in designated SEZs. Under the SEZ regulations, qualifying operations are eligible for a profit-based deduction from taxable income equal to (i) 100% of the export profits derived for the first five years from the commencement of operations; (ii) 50% of such export profits for the next five years; and (iii) subject to satisfying certain investment requirements, 50% of the export profits for a further five years.

Our operations centers in Jaipur and Noida, which were established in SEZs in 2010, are eligible for tax incentives until 2020. As part of the OPI Acquisition, we also acquired operations centers in Bengaluru and Kochi, India that are also established in SEZs. The operations center in Bengaluru will complete its first five years of operations on March 31, 2012. Under the tax regulations, the Bengaluru operations center will be entitled to a 50% tax exemption on profits from April 1, 2012, after which there will be an increase in the tax expense for such center. We anticipate establishing additional operations centers in SEZs in the future.

The Direct Taxes Code proposed by the Government of India and currently pending before the Indian Parliament proposes grandfathering the existing profit-based tax benefits for operations centers in SEZs already receiving such tax benefits. The Direct Taxes Code also proposes discontinuing profit-based incentives for operations centers in SEZs set up after March 31, 2014 and replaces them with investment-based incentives for operations centers in SEZs established after that date.

Accordingly, we expect to continue receiving the benefit of tax deductions for our existing operations centers in SEZs pursuant to the current regulations until the currently proposed March 31, 2014 sunset date. If this grandfathering does not happen under the Direct Taxes Code and if the sunset date is brought forward, our new operations centers in SEZs will not receive profit-based tax benefits. Without such benefits, we expect that our tax rate in India and our overall tax rate will increase over the next few years and that such increase may be material.

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We currently benefit from a four-year income tax holiday for one of our operations centers in the Philippines that will expire in the middle of 2012 but is extendable for an additional two years. Our new operations center in the Philippines, inaugurated in January 2012, will also benefit from a four-year income tax holiday that is extendable for an additional two years. While we intend to apply for extensions of these holidays when they expire, it is possible that such extensions could be denied, or these holidays could be removed entirely due to changes in the government of the Philippines. Should either of these events occur, our Philippine tax liability could increase.

We recognize deferred tax assets and liabilities for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. We determine if a valuation allowance is required or not on the basis of an assessment of whether it is more likely than not that a deferred tax asset will be realized.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon the financial statements included in this Annual Report on Form 10-K, which have been prepared in accordance with generally accepted accounting principles in the U.S. The notes to our consolidated financial statements contain a summary of our significant accounting policies. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements, as their application places the most significant demands on management's judgment regarding matters that are inherently uncertain. These policies include revenue recognition, estimating tax liabilities, stock-based compensation, goodwill, intangibles and long-lived assets, derivative instruments and assets and obligations related to employee benefit plans. These accounting policies and the associated risks are set out below. Future events may not develop exactly as forecast and estimates routinely require adjustment.

Revenue Recognition

The Company derives its revenues from outsourcing and transformation services. Revenues from outsourcing services are recognized primarily on a time-and-material, cost-plus or unit-priced basis; revenues from transformation services are recognized primarily on a time-and-material, fixed price or contingent fee basis. The services provided within our contracts generally contain one unit of accounting. Revenues are recognized under our contracts generally when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, services have been performed and collection of amounts billed is reasonably assured.

Revenues under time-and-material contracts are recognized as the services are performed. Revenues are recognized on cost-plus contracts on the basis of contractually agreed direct and indirect costs incurred on a client contract plus an agreed upon profit markup. Revenues are recognized on unit-price based contracts based on the number of specified units of work (such as the number of email responses) delivered to a client. Such revenues are recognized as the related services are provided in accordance with the client contract. When the terms of the client contract specify service level parameters that must be met (such as turnaround time or accuracy), we monitor such service level parameters to determine if any service credits or penalties have been incurred. Revenues are recognized net of any service credits that are due to a client. We have experienced minimal service credits and penalties to date.

Revenues from software licensing arrangements are recognized at the later of time of delivery or expiration of significant termination rights. Revenues from fixed-term maintenance and support contracts are recognized ratably on a monthly basis over the period of the contract. Revenues from contracts for software modification are generally fixed price contracts and are recognized under the proportional performance method as described below.

Revenues are recognized on fixed-price contracts using the proportional performance method. We estimate the proportional performance of a contract by comparing the actual number of hours or days worked to the

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estimated total number of hours or days required to complete each engagement. The use of the proportional performance method requires significant judgment relative to estimating the number of hours or days required to complete the contracted scope of work, including assumptions and estimates relative to the length of time to complete the project and the nature and complexity of the work to be performed. We regularly monitor our estimates for completion of a project and record changes in the period in which a change in an estimate is determined. If a change in an estimate results in a projected loss on a project, such loss is recognized in the period in which it is first identified.

We make accruals for revenues and receivables for services rendered between the last billing date and the balance sheet date. Accordingly, our accounts receivable include amounts for services that we have performed and for which an invoice has not yet been issued to the client. These are included in accounts receivable on our consolidated balance sheet and the amounts are disclosed in the notes to our consolidated financial statements.

Goodwill, Intangible Assets and Long-lived Assets

Accounting Standards Codification (ASC) topic 805, “*Business Combinations*” (ASC No. 805), requires that the purchase method of accounting be used for all business combinations. The guidance specifies criteria as to intangible assets acquired in a business combination that must be recognized and reported separately from goodwill. In accordance with ASC topic 350, “*Intangibles—Goodwill and Other*” (ASC No. 350), all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. We evaluate goodwill for impairment at least annually, or as circumstances warrant. When determining the fair value of our reporting units, we utilize various assumptions, including projections of future cash flows. Any adverse changes in key assumptions about our businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge.

We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, we will recognize an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such asset. The estimate of undiscounted cash flows and the fair value of assets require several assumptions and estimates like the weighted average cost of capital, discount rates, risk-free rates, market rate of return and risk premiums and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Stock-based Compensation

Under the fair value recognition provisions of ASC topic 718, “*Compensation—Stock Compensation*” (ASC No. 718), cost is measured at the grant date, based on the fair value of the award and is amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting periods. Determining the fair value of stock-based awards at the grant date requires significant judgment, including estimating the expected term over which the stock awards will be outstanding before they are exercised, the expected volatility of our stock and the number of stock-based awards that are expected to be forfeited. In order to determine the estimated period of time that we expect employees to hold their share-based options, we have used data on the historical exercise pattern of employees. We use the historical volatility of our common stock and the volatility of stocks of our comparative companies in order to estimate future share price trends. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. The risk-free interest rate that we use in the option valuation model is based on U.S. treasury zero-coupon bonds with a remaining term similar to the expected term of the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option valuation model. If the actual forfeiture rate differs significantly from our estimates, our stock-based compensation expense and our results of operations could be materially impacted.

Derivative Instruments and Hedging Activities

In the normal course of business, we actively look to mitigate the exposure of foreign currency market risk by entering into various hedging instruments, authorized under our policies, with counterparties that are highly rated financial institutions. Our primary exchange rate exposure is with the U.K. pound sterling and the Indian rupee. We also have exposure in Philippine pesos, Czech koruna and other local currencies where we operate. We use derivative instruments for the purpose of mitigating the underlying exposure from foreign currency fluctuation risks associated with forecasted transactions denominated in certain foreign currencies and to minimize earnings and cash flow volatility associated with the changes in foreign currency exchange rates and not for speculative trading purposes.

We hedge anticipated transactions that are subject to foreign exchange exposure with foreign currency exchange contracts that are designated effective and that qualify as cash flow hedges under ASC topic 815, “*Derivatives and Hedging*” (ASC No. 815). Changes in the fair value of these cash flow hedges which are deemed effective, are deferred and recorded as a component of accumulated other comprehensive income/(loss), net of tax until the hedged transactions occur and are then recognized in the consolidated statements of income. Changes in the fair value of cash flow hedges deemed ineffective are recognized in the consolidated statement of income and are included in foreign exchange gain/(loss).

We also use derivatives consisting of foreign currency exchange contracts not designated as hedging instruments under ASC No. 815 to hedge intercompany balances and other monetary assets or liabilities denominated in currencies other than the functional currency. Changes in the fair value of these derivatives are recognized in the consolidated statements of income and are included in foreign exchange gain/(loss).

We value our derivatives based on market observable inputs including both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 primarily represent foreign currency forward contracts. The quotes are taken primarily from highly rated financial institutions.

We evaluate hedge effectiveness at the time a contract is entered into as well as on an ongoing basis. If during this time, a contract is deemed ineffective, the change in the fair value is recorded in the consolidated statements of income and is included in foreign exchange gain/(loss). For hedge relationships that are discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized in respect of future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses carried forward, if any. Deferred tax assets and liabilities are measured using the anticipated tax rates for the years in which such temporary differences are expected to be recovered or settled. We recognize the effect of a change in tax rates on deferred tax assets and liabilities during the period in which the new tax rate was enacted or the change in tax status was filed or approved. Deferred tax assets are recognized in full, subject to a valuation allowance that reduces the amount recognized to that which is more likely than not to be realized. In assessing the likelihood of realization, we consider estimates of future taxable income. With respect to any entity that benefits from a corporate tax holiday, deferred tax assets or liabilities for existing temporary differences are recorded only to the extent such temporary differences are expected to reverse following the expiration of the tax holiday.

We also evaluate potential exposures related to tax contingencies or claims made by the tax authorities in various jurisdictions in order to determine whether a reserve may be required. A reserve is recorded if we believe

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that a loss is more likely than not to occur and if the amount of such loss can be reasonably estimated. Such reserves are based on estimates and, consequently, are subject to changing facts and circumstances, including the progress of ongoing audits, changes in case law and the passage of new legislation. We believe that we have established adequate reserves to cover any potential additional tax assessments.

We generally anticipate that we will indefinitely reinvest the undistributed earnings of our foreign subsidiaries or have the ability to repatriate in a tax-free manner. Accordingly, we do not accrue any material income, distribution or withholding taxes that would otherwise arise if such earnings were repatriated in a taxable manner.

We employ a two-step process for recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will, more likely than not, be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that has a greater than 50% likelihood of being realized upon settlement. Our provision for income tax expense also takes into account any interest or penalties related to unrecognized tax benefits.

Retirement Benefits

We provide our employees in India and the Philippines with benefits under a defined benefit plan, which we refer to as the Gratuity Plan. The Gratuity Plan provides a lump sum payment to vested employees on retirement or on termination of employment in an amount based on the respective employee's salary and years of employment with us. We determine our liability under the Gratuity Plan by actuarial valuation using the projected unit credit method. Under this method, we determine our liability based upon the discounted value of salary increases until the date of separation arising from retirement, death, resignation or other termination of services. Critical assumptions used in measuring the plan expense and projected liability under the projected unit credit method include the discount rate, expected return on assets and the expected increase in the compensation rates. We evaluate these critical assumptions at least annually. If actual results differ significantly from our estimates, our gratuity expense and our results of operations could be materially impacted.

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Results of Operations

The following table summarizes our results of operations:

	Year ended December 31,		
	2011	2010	2009
Revenues ⁽¹⁾	\$ 360.5	\$ 252.8	\$ 191.0
Cost of revenues (exclusive of depreciation and amortization) ⁽²⁾	220.0	151.3	109.4
Gross profit	140.5	101.5	81.6
Operating expenses:			
General and administrative expenses ⁽³⁾	50.6	40.3	31.9
Selling and marketing expenses ⁽³⁾	25.6	18.8	13.9
Depreciation and amortization expenses ⁽⁴⁾	23.0	15.9	11.4
Total operating expenses	99.2	75.0	57.2
Income from operations	41.3	26.5	24.4
Other income/(expense):			
Foreign exchange gain	3.4	4.2	(5.9)
Interest and other income	2.0	1.4	1.0
Income before income taxes	46.7	32.1	19.5
Income tax provision	11.9	5.5	3.7
Income from continuing operations	34.8	26.6	15.8
Loss from discontinued operations, net of taxes	—	—	(0.1)
Net income	\$ 34.8	\$ 26.6	\$ 15.7

- (1) Revenues include reimbursable expenses of \$16.1 million, \$11.8 million and \$9.6 million for the years ended December 31, 2011, 2010 and 2009, respectively. Revenues also include a one-time fee of \$2.3 million in 2011 and a contract termination fee of \$5.1 million in 2009.
- (2) Cost of revenues includes \$1.6 million, \$1.6 million and \$1.4 million for the years ended December 31, 2011, 2010 and 2009, respectively, of non-cash stock compensation expense relating to the issuance of equity awards to employees directly involved in providing services to our clients as described in note 14 to our consolidated financial statements.
- (3) General and administrative expenses and selling and marketing expenses include \$7.8 million, \$6.9 million and \$5.7 million for the years ended December 31, 2011, 2010 and 2009, respectively, as non-cash amortization of stock compensation expense relating to the issuance of equity awards to our non-operations staff as described in note 14 to our consolidated financial statements.
- (4) Depreciation and amortization includes \$4.3 million, \$2.0 million and \$0.2 million for the years ended December 31, 2011, 2010 and 2009, respectively, of amortization of intangibles as described in note 5 to our consolidated financial statements.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenues. Revenues increased 42.6% from \$252.8 million for the year ended December 31, 2010 to \$360.5 million for the year ended December 31, 2011. Revenues from outsourcing services increased from \$192.1 million for the year ended December 31, 2010 to \$294.4 million for the year ended December 31, 2011. The increase in revenues from outsourcing services of \$102.3 million was primarily driven by revenues of \$63.6 million from the OPI Acquisition and the Trumbull Acquisition in 2011 and our acquisitions of GTSC and PDMA in 2010, revenues from a one-time payment of \$2.3 million from a client with no associated costs and net volume increases from existing and new clients aggregating to \$38.3 million. These increases were partially

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offset by a net decrease in revenues of \$1.9 million, primarily due to the depreciation of the Indian rupee and appreciation of the U.K. pound sterling and Czech koruna against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Revenues from transformation services increased from \$60.7 million for the year ended December, 2010 to \$66.2 million for the year ended December 31, 2011. The increase was primarily due to a combination of increased revenues in recurring or annuity decision analytics services and an increase in project-based engagements both in our decision analytics and operations and process excellence services. Revenues from new clients for transformation services were \$0.9 million and \$4.1 million during the year ended December 31, 2011 and 2010, respectively.

Cost of Revenues. Cost of revenues increased 45.4% from \$151.3 million for the year ended December 31, 2010 to \$220.0 million for the year ended December 31, 2011. The increase in cost of revenues was primarily due to an increase in employee-related costs of \$57.5 million as a result of an increase in the number of our personnel directly involved in providing services to our clients, including \$33.9 million of employee-related costs related to the OPI Acquisition and our other acquisitions. We also experienced an increase in reimbursable expenses of \$4.3 million (resulting in an increase in revenues) and an increase in facilities, technology and other operating expenses of \$9.2 million (primarily due to our acquisitions and new operating centers to support business growth). These increases were partially offset by a decrease of \$2.3 million due to the net effect of depreciation of the Indian rupee and appreciation of the Philippines peso and Czech koruna against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010. Cost of revenues as a percentage of revenues increased from 59.9% for the year ended December 31, 2010 to 61.0% for the year ended December 31, 2011.

Gross Profit. Gross profit increased 38.5% from \$101.5 million for the year ended December 31, 2010 to \$140.6 million for the year ended December 31, 2011. The increase in gross profit was primarily due to an increase in revenues of \$107.8 million, offset by the increase in cost of revenues of \$68.7 million. Gross profit as a percentage of revenues decreased from 40.1% for the year ended December 31, 2010 to 39.0% for the year ended December 31, 2011, primarily due to the impact of our acquisitions, partially offset by the depreciation of the Indian rupee against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010.

SG&A Expenses. SG&A expenses increased 29.0% from \$59.1 million for the year ended December 31, 2010 to \$76.2 million for the year ended December 31, 2011. The increase in SG&A expenses is primarily due to an increase in employee-related costs of \$12.0 million, including \$4.7 million of employee-related costs related to the OPI acquisition and our continued investment in sales and client management personnel. We also experienced an increase in other SG&A expenses of \$3.6 million, primarily due to professional fees associated with our acquisitions and travel related expenses. These increases were partially offset by a decrease of \$0.5 million due to the depreciation of the Indian rupee against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010. As a percentage of revenues, SG&A expenses decreased from 23.4% for the year ended December 31, 2010 to 21.1% for the year ended December 31, 2011.

Depreciation and Amortization. Depreciation and amortization increased 45.2% from \$15.9 million for the year ended December 31, 2010 to \$23.0 million for the year ended December 31, 2011. The increase is primarily due to the increase in amortization of acquisition-related intangibles of \$2.3 million and depreciation related to our new operations centers including our acquisitions of \$5.3 million offset by a decrease of \$0.5 million due to the depreciation of the Indian rupee and appreciation of the Philippines peso and the Czech koruna against the U.S. dollar during the year ended December 31, 2011 compared to the year ended December 31, 2010. As we add more operations centers, we expect that depreciation expense will increase to reflect the additional investment in equipment and operations centers necessary to meet our service requirements.

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Income from Operations. Income from operations increased 55.8% from \$26.5 million for the year ended December 31, 2010 to \$41.3 million for the year ended December 31, 2011. As a percentage of revenues, income from operations increased from 10.5% for the year ended December 31, 2010 to 11.5% for the year ended December 31, 2011. The increase in income from operations as a percentage of revenues was primarily due to operating leverage and the OPI Acquisition, resulting in lower SG&A expenses as a percentage of revenue in 2011.

Other Income/(Expense). Other income/(expense) is comprised of foreign exchange gains and losses, interest income, interest expense and other items. Other income/(expense) decreased from \$5.6 million for the year ended December 31, 2010 to \$5.3 million for the year ended December 31, 2011, primarily as a result of decrease in net foreign exchange gain of \$3.4 million during the year ended December 31, 2011 compared to net foreign exchange gain of \$4.2 million during the year ended December 31, 2010 attributable to movement of the U.S. dollar against the Indian rupee, offset by an increase of \$0.6 million in net interest income and other income. The average exchange rate of the Indian rupee against the U.S. dollar increased from 45.65 during the year ended December 31, 2010 to 46.92 during the year ended December 31, 2011.

Provision for Income Taxes. Provision for income taxes increased from \$5.5 million for the year ended December 31, 2010 to \$11.9 million for the year ended December 31, 2011. The effective tax rate increased from 17.1% for the year ended December 31, 2010 to 25.4% for the year ended December 31, 2011. The increase in effective tax rate in 2011 was primarily due to the expiry of the tax holiday period for most of our operations centers in India. Please see Note 13 to our consolidated financial statements for further details.

Net Income. Net income increased from \$26.6 million for the year ended December 31, 2010 to \$34.8 million for the year ended December 31, 2011, primarily due to an increase in operating income of \$14.8 million, offset by a decrease in other income of \$0.2 million and an increase in provision for income taxes of \$6.4 million. As a percentage of revenues, net income decreased from 10.5% for the year ended December 31, 2010 to 9.6% for the year ended December 31, 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenues. Revenues increased 32.3% from \$191.0 million for the year ended December 31, 2009 to \$252.8 million for the year ended December 31, 2010. Revenues from outsourcing services increased from \$152.6 million during the year ended December 31, 2009 to \$192.1 million during the year ended December 31, 2010. The increase in revenues from outsourcing services of \$44.6 million (excluding the receipt of a one-time contract termination fee of \$5.1 million in 2009) is primarily driven by revenues of \$29.1 million from new clients, including the acquisitions of GTSC and PDMA, net volume increases from existing clients aggregating to \$12.5 million and revenues of \$3.0 million due to the appreciation of the Indian rupee against the U.S. dollar during the year ended December 31, 2010 compared to the year ended December 31, 2009.

Revenues from transformation services increased from \$38.4 million during the year ended December 31, 2009 to \$60.7 million during the year ended December 31, 2010. The increase is primarily due to a combination of increased revenues in recurring or annuity decision analytics services and an increase in project-based engagements both in our decision analytics and risk and financial management practices. Revenues from new clients for transformation services were \$4.1 million and \$1.8 million during the years ended December 31, 2010 and 2009, respectively.

Cost of Revenues. Cost of revenues increased 38.3% from \$109.4 million for the year ended December 31, 2009 to \$151.3 million for the year ended December 31, 2010. The increase in cost of revenues is primarily due to a \$13.4 million increase in employee-related costs as a result of an increase in the number of our personnel directly involved in providing services to our clients. The increase in costs of revenues can also be attributed to \$13.7 million of employee-related costs incurred in connection with acquisitions, a \$2.3 million increase in reimbursable expenses (resulting in an increase in revenues), a \$7.1 million increase in facilities and other operating expenses (primarily due to acquisitions and the creation of new operating centers to meet business

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growth), and a \$5.4 million aggregate increase due to the appreciation of the Indian rupee and the Philippine peso against the U.S. dollar during the year ended December 31, 2010 compared to the year ended December 31, 2009. Cost of revenues as a percentage of revenues increased from 57.3% for the year ended December 31, 2009 to 59.9% for the year ended December 31, 2010.

Gross Profit. Gross profit increased 24.3% from \$81.6 million for the year ended December 31, 2009 to \$101.5 million for the year ended December 31, 2010. The increase in gross profit was primarily due to an increase in revenues of \$61.8 million, offset by the increase in cost of revenues of \$41.9 million. Gross profit as a percentage of revenues decreased from 42.7% for the year ended December 31, 2009 to 40.1% for the year ended December 31, 2010, primarily due to the receipt of a contract termination fee of \$5.1 million in 2009 and the impact of appreciation of the Indian rupee against the U.S. dollar.

SG&A Expenses. SG&A expenses increased 29.1% from \$45.8 million for the year ended December 31, 2009 to \$59.1 million for the year ended December 31, 2010. The increase in SG&A expenses is primarily due to an increase in employee-related costs of \$8.0 million, including our continued investment in sales and client management personnel, an increase in facilities-related costs of \$2.2 million, primarily related to our new operations centers in Jaipur and Noida, India, an increase in other SG&A costs of \$1.9 million including our acquisition related expenses and an increase of \$1.0 million due to the appreciation of the Indian rupee against the U.S. dollar during the year ended December 31, 2010 compared to the year ended December 31, 2009. As a percentage of revenues, SG&A decreased from 24.0% for the year ended December 31, 2009 to 23.4% for the year ended December 31, 2010.

Depreciation and Amortization. Depreciation and amortization increased 38.8% from \$11.4 million for the year ended December 31, 2009 to \$15.9 million for the year ended December 31, 2010. The increase is primarily due to the increase in amortization of acquisition-related intangibles of \$1.8 million, depreciation related to our new operations centers including our acquisitions of \$2.0 million and an increase of \$0.7 million due to the appreciation of the Indian rupee against the U.S. dollar. As we add more operations centers, we expect that depreciation expense will increase to reflect the additional investment in equipment and operations centers necessary to meet our service requirements.

Income from Operations. Income from operations increased 8.7% from \$24.4 million for the year ended December 31, 2009 to \$26.5 million for the year ended December 31, 2010. As a percentage of revenues, income from operations decreased from 12.8% for the year ended December 31, 2009 to 10.5% for the year ended December 31, 2010. The decrease in income from operations as a percentage of revenues was primarily due to the receipt of a contract termination fee of \$5.1 million during the year ended December 31, 2009.

Other Income/(Expense). Other income/(expense) is comprised of foreign exchange gains and losses, interest income, interest expense and other items. Other income/(expense) increased from (\$4.9) million for the year ended December 31, 2009 to \$5.6 million for the year ended December 31, 2010, primarily as a result of net foreign exchange gain of \$4.2 million during the year ended December 31, 2010 compared to net foreign exchange losses of (\$5.9) million during the year ended December 31, 2009 attributable to movement of the U.S. dollar against the Indian rupee. The average exchange rate of the Indian rupee against the U.S. dollar decreased from 48.39 during the year ended December 31, 2009 to 45.65 during the year ended December 31, 2010.

Provision for Income Taxes. Provision for income taxes increased from \$3.7 million for the year ended December 31, 2009 to \$5.5 million for the year ended December 31, 2010. The effective tax rate decreased from 19.0% for the year ended December 31, 2009 to 17.1% for the year ended December 31, 2010. The decrease in effective tax rate in 2010 was primarily due to the realization of a contract termination fee of \$5.1 million in 2009 and was partially offset by the higher income in the U.S and our recent acquisitions which are fully taxable.

Net Income. Net income increased from \$15.7 million for the year ended December 31, 2009 to \$26.6 million for the year ended December 31, 2010, primarily due to an increase in operating income of \$2.1 million

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and other income of \$10.5 million, partially offset by an increase in provision for income taxes of \$1.8 million. As a percentage of revenues, net income increased from 8.2% for the year ended December 31, 2009 to 10.5% for the year ended December 31, 2010.

Liquidity and Capital Resources

At December 31, 2011, we had \$90.3 million in cash and cash equivalents and short-term investments.

Cash flows provided by operating activities increased from \$36.5 million in the year ended December 31, 2010 to \$56.2 million in the year ended December 31, 2011. Generally, factors that affect our earnings—including pricing, volume of services, costs and productivity—affect our cash flows provided by operations in a similar manner. However, while management of working capital, including timing of collections and payments, affects operating results only indirectly, the impact on the working capital and cash flows provided by operating activities can be significant. The increase in cash flows provided by operations for the year ended December 31, 2011 was predominantly due to an increase in net income adjusted for non-cash items by \$7.9 million and an increase in working capital of \$11.8 million. The increase in net income adjusted for non-cash items is primarily due to an increase in net income of \$8.2 million.

Changes in working capital are primarily due to a decrease in trade accounts receivable of \$3.3 million and income taxes payable of \$7.3 million during the year ended December 31, 2011 compared to the year ended December 31, 2010. Our days' sales outstanding decreased from 57 days as of December 31, 2010 to 49 days as of December 31, 2011.

Cash flows used for investing activities increased from \$61.0 million in the year ended December 31, 2010 to \$105.8 million in the year ended December 31, 2011. The increase is primarily due to the payment of the purchase consideration of approximately \$81.0 million (net of cash acquired of \$20.1 million) for the OPI Acquisition and the Trumbull Acquisition during the year ended December 31, 2011 compared to \$42.1 million paid for the acquisitions of GTSC and PDMA during the year ended December 31, 2010. There is also an increase in net short-term investments of \$6.4 million during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Cash flows provided by financing activities increased from \$3.0 million in the year ended December 31, 2010 to \$24.9 million during the year ended December 31, 2011. The increase is primarily due to net proceeds from the issuance of common stock in a public offering of \$21.5 million and proceeds from the exercise of stock options of \$5.5 million during the year ended December 31, 2011 compared to \$3.0 million during the year ended December 31, 2010, partially offset by the acquisition of treasury stock of \$1.6 million during the year ended December 31, 2011.

We expect to use cash from operating activities to maintain and expand our business. As we have focused on expanding our cash flow from operating activities, we continue to make capital investments, primarily related to new facilities and capital expenditures associated with leasehold improvements to build our facilities and purchase of telecommunications equipment and computer hardware and software in connection with managing client operations. We incurred approximately \$19.5 million and \$19.9 million of capital expenditures in the year ended December 31, 2011 and 2010, respectively. We expect to incur capital expenditures of between \$25.0 million to \$30.0 million in the calendar year 2012, primarily to meet the growth requirements of our clients, including additions to our facilities as well as investments in technology applications and infrastructure. The timing and volume of such capital expenditures in the future will be affected by new client contracts we may enter into or the expansion of business under our existing client contracts.

In connection with the tax assessment orders issued against exl Service.com (India) Private Limited (Exl India) and Exl Service.com, Inc. (Exl Inc.), we may be required to deposit additional amounts with respect to the assessment orders received by us and for similar orders for subsequent years that may be received by us. Refer to note 17 to our consolidated financial statements for further details.

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On May 26, 2011, the Company entered into a credit agreement (the Credit Facility) with certain lenders and JPMorgan Chase Bank, N.A., as administrative agent. The Credit Facility is comprised of a \$50.0 million revolving credit facility, including a letter of credit sub-facility, for a period of three years. We repaid all amounts outstanding under the Credit Facility during the year ended December 31, 2011 and, as of December 31, 2011, we did not have any borrowings under the Credit Facility. Borrowings under the Credit Facility may be used for working capital and general corporate purposes.

We anticipate that we will continue to rely upon cash from operating activities to finance our smaller acquisitions, capital expenditures and working capital needs. Based on economic conditions as of December 31, 2011, we believe that cash flow from operations will be sufficient to meet our ongoing capital expenditure, working capital and other cash needs in the near term. If we have significant growth through acquisitions, we may need to obtain additional financing.

Off-Balance Sheet Arrangements

As of December 31, 2011, we had no off-balance sheet arrangements or obligations.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2011:

	Payment Due by Period				Total
	Less than 1 year	1-3 years	4-5 years	After 5 years	
			(in millions)		
Capital leases	2.2	3.4	1.4	—	7.0
Operating leases	9.2	13.5	6.7	1.3	30.7
Purchase obligations	4.6	—	—	—	4.6
Other obligations ^(a)	1.4	2.3	2.0	2.6	8.3
Total contractual cash obligations ^(b)	<u>\$ 17.4</u>	<u>\$19.2</u>	<u>\$10.1</u>	<u>\$ 3.9</u>	<u>\$50.6</u>

(a) Represents estimated payments under the Company's Gratuity Plan.

(b) Excludes \$5.3 million related to uncertain tax positions, since the extent of the amount and timing of payment is currently not reliably estimable or determinable.

Certain units of our Indian subsidiaries had been established as 100% Export-Oriented units under the Export Import Policy or Software Technology Parks of India units (STPI) under the STPI guidelines issued by the Government of India that has provided us with certain incentives on imported and indigenous capital goods on fulfillment of certain conditions. Although the incentives are no longer available, the units are required to fulfill such conditions for a limited time. In the event that these units are unable to meet those conditions over the specified period, we may be required to refund those incentives along with penalties and fines. However, we believe that these units have in the past satisfied and will continue to satisfy those conditions.

ExlService Philippines, Inc. (Exl Philippines) is registered as an Ecozone IT Enterprise with the Philippines Economic Zone Authority. The registration provides us with certain incentives on the import of capital goods and requires that Exl Philippines meet certain export obligations. We currently benefit from a four-year income tax holiday for one of our operations centers in the Philippines that will expire in the middle of 2012 but is extendable for an additional two years. Our new operations center in the Philippines, inaugurated in January 2012, will also benefit from a four-year income tax holiday that is extendable for an additional two years.

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standard Board (FASB) issued update No. 2010-29, “*Disclosure of Supplementary Pro Forma Information for Business Combinations*” (ASU No. 2010-29). ASU No. 2010-29 requires public companies to disclose revenues and earnings of the combined entity as though the current period business combination had occurred as of the beginning of the comparable prior annual reporting period while presenting comparative financial statements. The amendments expanded the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. We adopted the guidance, effective January 1, 2011, for material (either on an individual or aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010. The adoption of the guidance had no effect on our financial position or results of operations. See Note 5 to our consolidated financial statements for further details.

In May 2011, the FASB issued update No. 2011-04, “*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*” (ASU No. 2011-04). ASU No. 2011-04 was intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The amendments in this update result in common fair value measurement and disclosure requirements in GAAP and IFRS. The update explains how to measure fair value and does not require additional measurements. The update is effective from January 1, 2012 and may require certain additional disclosures associated with the fair value measures.

In June 2011, the FASB issued update No. 2011-05, “*Presentation of Comprehensive Income*” (ASU No. 2011-05). ASU No. 2011-05 is effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, FASB issued update No. 2011-12, an amendment to defer the presentation on the face of the financial statements of the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the two amendments is not expected to have a material impact on the consolidated financial position and results of operations.

In September 2011, the FASB issued update No. 2011-08, “*Testing Goodwill for Impairment*” (ASU No. 2011-08), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We are currently evaluating the impact of adopting the provisions of ASU No. 2011-08.

Forward Looking Statements

This Annual Report on Form 10-K contains forward looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as “may,” “will,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate” or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe

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are appropriate under the circumstances. As you read and consider this Annual Report on Form 10-K, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although we believe that these forward looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward looking statements. These factors include but are not limited to:

- our dependence on a limited number of clients in a limited number of industries;
- worldwide political, economic or business conditions;
- negative public reaction in the U.S. or elsewhere to offshore outsourcing;
- fluctuations in our earnings;
- our ability to attract and retain clients;
- our ability to successfully consummate or integrate strategic acquisitions, including the OPI Acquisition and the Trumbull Acquisition;
- restrictions on immigration;
- our ability to hire and retain enough sufficiently trained employees to support our operations;
- our ability to grow our business or effectively manage growth and international operations;
- increasing competition in our industry;
- telecommunications or technology disruptions;
- fluctuations in exchange rates between the currencies in which we receive our revenues and the currencies in which we incur our costs;
- regulatory, legislative and judicial developments, including changes to or the withdrawal of governmental fiscal incentives;
- technological innovation;
- an investor's ability to effect service of process or enforce judgments obtained in the U.S. against our subsidiaries in India or our executive officers;
- political or economic instability in the geographies in which we operate; and
- adverse outcome of our disputes with the Indian tax authorities.

These and other factors are more fully discussed elsewhere in this Annual Report on Form 10-K. These and other risks could cause actual results to differ materially from those implied by forward looking statements in this Annual Report on Form 10-K.

You should keep in mind that any forward looking statement made by us in this Annual Report on Form 10-K, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no obligation to update any forward looking statements in this Annual Report on Form 10-K after the date of this Annual Report on Form 10-K, except as required by federal securities laws.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

General

Market risk is the loss of future earnings, fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables.

Our exposure to market risk is a function of our expenses and revenue generating activities in foreign currencies. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. We manage market risk through our treasury operations. Our senior management and our board of directors approve our treasury operation's objectives and policies. The activities of our treasury operations include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, if any, and ensuring compliance with market risk limits and policies.

Components of Market Risk

Foreign Currency Risk. Our exposure to market risk arises principally from exchange rate risk. Although substantially all of our revenues are denominated in U.S. dollars (71.8% in the year ended December 31, 2011) or U.K. pounds sterling (22.0% in the year ended December 31, 2011), a substantial portion of our expenses were incurred and paid in Indian rupees and Philippine pesos (57.6% and 5.6%, respectively, in the year ended December 31, 2011). We also incur expenses in U.S. dollars, the Czech koruna and the currencies of the other countries in which we have operations. The exchange rates primarily among the Indian rupee, the Philippine peso, U.K. pound sterling, Czech koruna and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future.

Our exchange rate risk primarily arises from our foreign currency revenues, expenses incurred by our foreign subsidiaries and foreign currency accounts receivable and payable. Based upon our level of operations during the year ended December 31, 2011 and excluding any hedging arrangements that we had in place during that period, a 5% appreciation/depreciation in the Indian rupee against the U.S. dollar would have increased/decreased our revenues in the year ended December 31, 2011 by approximately \$5.1 million and our expenses incurred and paid in Indian rupees by approximately \$9.2 million.

We have sought to reduce the effect of Indian rupee and Philippine peso and certain other local currency exchange rate fluctuations on our operating results by purchasing forward foreign exchange contracts to cover a substantial portion of our expected cash flows. Further, a significant number of our customer contracts include protection against foreign exchange rate fluctuations which minimizes the impact of volatility in the exchange rates on our operating results. Forward exchange contracts with notional amounts of \$184.3 million were outstanding at December 31, 2011 compared to \$129.1 million outstanding at December 31, 2010. At December 31, 2011, the cash flow hedging derivatives had maturity periods of one to thirty-three months. These contracts must be settled on the day of maturity or may be cancelled subject to the payment of any gains or losses in the difference between the contract exchange rate and the market exchange rate on the date of cancellation. We use these instruments as cash flow hedges and not for speculative purposes. We may not purchase contracts adequate to insulate ourselves from Indian rupee and Philippine pesos foreign exchange currency risks. In addition, any such contracts may not perform adequately as a hedging mechanism. We may, in the future, adopt more active hedging policies, and have done so in the past.

We hedge our net recognized foreign currency assets and liabilities with foreign exchange forward contracts to reduce the risk that our earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These derivative instruments hedge assets and liabilities that are denominated in foreign currencies and are carried at fair value with changes in the fair value recorded as foreign exchange gain/(loss).

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These derivative instruments do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on the settlement of these derivatives are intended to offset revaluation losses and gains on the assets and liabilities being hedged. Forward exchange contracts with notional amounts of \$51.6 million and GBP 10.3 million were outstanding at December 31, 2011 compared to \$36.9 million, GBP 8.4 million and EUR 0.79 million outstanding at December 31, 2010. At December 31, 2011, the outstanding balance sheet hedging derivatives had maturities of 30 days or less.

Interest Rate Risk. We had cash, cash equivalents and short-term investments totaling \$90.3 million at December 31, 2011. These amounts were invested principally in a short-term investment portfolio primarily comprised of highly-rated mutual funds, money market accounts and time deposits. The cash and cash equivalents are held for potential acquisitions of complementary businesses or assets, working capital requirements and general corporate purposes. We do not enter into investments for trading or speculative purposes. We believe that we have no material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. The interest income from these funds will be subject to fluctuations due to changes in interest rates. Declines in interest rates would reduce future investment income. A 50 basis points change in short term rates would impact our interest income for the year ended December 31, 2011 by approximately \$0.3 million. As of December 31, 2011, we did not have any borrowings under the Credit Facility.

Credit Risk. As of December 31, 2011, we had accounts receivable of \$55.7 million. Accounts receivable from our two largest clients accounted for 13% and 12% of our total outstanding receivable as of December 31, 2011. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties and, accordingly, do not require collateral. Credit losses and write-offs of accounts receivable balances have historically not been material to our financial statements and have not exceeded our expectations.

ITEM 8. Financial Statements and Supplementary Data

The financial statements required to be filed pursuant to this Item 8 are appended to this Annual Report on Form 10-K. A list of the financial statements filed herewith is found at "Item 15. Exhibits and Financial Statement Schedules."

ITEM 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports the Company files under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required financial disclosure. In connection with the preparation of this Annual Report on Form 10-K, the Company's management carried out an evaluation, under the supervision and with the participation of the CEO and CFO, of the effectiveness and operation of the Company's disclosure controls and procedures as of December 31, 2011. Based upon that evaluation, the CEO and CFO have concluded that, as of December 31, 2011, the Company's disclosure controls and procedures were effective.

Management’s Responsibility for Financial Statements

Responsibility for the objectivity, integrity and presentation of the accompanying financial statements and other financial information presented in this report rests with the Company’s management. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The financial statements include amounts that are based on estimates and judgments which management believes are reasonable under the circumstances.

Ernst & Young LLP, an independent registered public accounting firm, is retained to audit the Company’s consolidated financial statements and the effectiveness of the Company’s internal control over financial reporting. Its accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board.

The Audit Committee of the board of directors is composed solely of independent directors and is responsible for recommending to the board of directors the independent public accounting firm to be retained for the coming year. The Audit Committee meets regularly and privately with the independent public accountants, with the company’s internal auditors and with management to review accounting, auditing, internal control and financial reporting matters.

Management’s Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the U.S. The Company’s internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S.;
- provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with the authorization of management and board of directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria described in “*Internal Control—Integrated Framework*” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management’s assessment included an evaluation of the design of the Company’s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the board of directors. Based on this assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2011. See Ernst & Young LLP’s accompanying report on their audit of the Company’s internal controls over financial reporting.

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On May 31, 2011, the Company completed the OPI Acquisition and on October 1, 2011, the Company completed the Trumbull Acquisition. The scope of our assessment of the effectiveness of internal control over financial reporting does not include these newly acquired businesses as permitted by SEC rules for recently acquired businesses. The Company is in the process of reviewing the internal control structure of OPI and Trumbull, and, if necessary, will make appropriate changes as the Company incorporates its controls and procedures into the acquired businesses.

Changes in Internal Control over Financial Reporting

During the three months ended December 31, 2011, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In making its assessment of the changes in internal control over financial reporting during the quarter ended December 31, 2011, our management excluded an evaluation of the disclosure controls and procedures of OPI and Trumbull, which we acquired during 2011. See Note 5 to our consolidated financial statements for details of our acquisitions.

ITEM 9B. Other Information

Recent Development

On February 29, 2012, the Company entered into a Framework Agreement (the Framework Agreement) by and among Centrica, the Company and Exl India. Under the terms of the Framework Agreement, the Company will provide services to Centrica for an initial term of three years. Centrica may thereafter extend the term of the Framework Agreement for two additional one-year periods. The Framework Agreement may be terminated by Centrica without cause upon three months prior notice and payment to the Company of a breakup fee.

The foregoing summary of the Framework Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Framework Agreement, a copy of which is filed as an exhibit hereto.

PART III.

ITEM 10. Directors and Executive Officers of the Registrant

Code of Ethics.

We have adopted a code of conduct and ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. Our code of conduct and ethics can be found posted in the investor relations section on our website at <http://www.exlservice.com>.

We incorporate by reference the information responsive to this Item appearing in the definitive proxy statement for our 2012 Annual Meeting of Stockholders (the Proxy Statement), which we intend to file with the SEC within 120 days after the fiscal year end of December 31, 2011.

ITEM 11. Executive Compensation

We incorporate by reference the information responsive to this Item appearing in our Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We incorporate by reference the information responsive to this Item appearing in our Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

We incorporate by reference the information responsive to this Item appearing in our Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

We incorporate by reference the information responsive to this Item appearing in our Proxy Statement.

PART IV.

ITEM 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements.

The consolidated financial statements are listed under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

Financial statement schedules as of December 31, 2011 and 2010, have been omitted since they are either not required, not material or the information is otherwise included in our consolidated financial statements or the notes to our consolidated financial statements.

3. Exhibits.

The Exhibits filed as part of this Annual Report on Form 10-K are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated in this Annual Report on Form 10-K by reference.

(b) Exhibits. See Item 15(a)(3) above.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

INDEX TO EXHIBITS

The following exhibits are being filed as part of this Annual Report on Form 10-K:

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on October 25, 2006).
- 3.2 Third Amended and Restated By-laws (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 2, 2011).
- 4.1 Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 4.2 Registration Rights Agreement (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on October 25, 2006).
- 10.1** Professional Services Agreement, dated March 7, 2006, between The Travelers Indemnity Company and ExlService Holdings, Inc as amended by Amendment 3, effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to Annual Report on Form 10-K filed on March 16, 2010).
- 10.2 Employment Agreement, dated May 1, 2009, between exlservice.com (India) Private Limited and Vishal Chhibbar (incorporated by reference to Exhibit 10.2 to Annual Report on Form 10-K filed on March 16, 2010).
- 10.3 Letter Agreement, effective June 1, 2009, between ExlService Holdings, Inc, and Vishal Chhibbar (incorporated by reference to Exhibit 10.3 to Annual Report on Form 10-K filed on March 16, 2010).
- 10.4 Employment Contract, as amended, effective October 3, 2006, by and between ExlService Inc. and Amit Shashank (incorporated by reference to Exhibit 10.12 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.5 Amended and Restated Employment and Non-Competition Agreement entered into by and among ExlService Holdings, Inc. and Vikram Talwar (incorporated by reference to Exhibit 10.10 to Annual Report on Form 10-K filed on March 16, 2009).
- 10.6 Amendment, effective June 2, 2010, to the Amended and Restated Employment and Non-Competition Agreement, dated December 16, 2008 between Vikram Talwar and ExlService Holdings, Inc. (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed on August 9, 2010).
- 10.7 Summary of terms of compensation for Vikram Talwar (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed on November 9, 2010).
- 10.8 Amended and Restated Employment and Non-Competition Agreement entered into by and among ExlService Holdings, Inc. and Rohit Kapoor (incorporated by reference to Exhibit 10.11 to Annual Report on Form 10-K filed on March 16, 2009).
- 10.9 Amendment to the Amended and Restated Employment and Non-Competition Agreement entered into by and among ExlService Holdings, Inc. and Rohit Kapoor (incorporated by reference to Exhibit 10.7 to Annual Report on Form 10-K filed on March 16, 2010).
- 10.10 ExlService Holdings, Inc. 2003 India Stock Option Plan (incorporated by reference to Exhibit 10.16 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.11 ExlService Holdings, Inc. 2003 Stock Option Plan (incorporated by reference to Exhibit 10.18 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.12 ExlService Holdings, Inc. 2006 Omnibus Plan (incorporated by reference to Exhibit 10.20 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).

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- 10.13 ExlService Holdings, Inc. 2006 Omnibus India Subplan 1 (incorporated by reference to Exhibit 10.21 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.14 Form of Stock Option Agreement under the 2006 Omnibus India Subplan 1 (incorporated by reference to Exhibit 10.22 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.15 ExlService Holdings, Inc. Management Incentive Plan (incorporated by reference to Exhibit 10.23 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.16 Form of Restricted Stock Award Agreement under the 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.31 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.17 Form of Stock Option Agreement under the 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.32 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.18 Form of Restricted Stock Award Agreement under the 2006 Omnibus India Subplan 1 (incorporated by reference to Exhibit 10.33 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.19 Amended and Restated Nonqualified Stock Option Award Agreement between Amit Shashank and the Company dated June 1, 2005 (incorporated by reference to Exhibit 10.35 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.20 ExlService Holdings, Inc. 2006 Omnibus India Subplan 2 (incorporated by reference to Exhibit 10.38 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.21 Form of Stock Option Agreement under the 2006 Omnibus India Subplan 2 (incorporated by reference to Exhibit 10.39 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.22 Form of Restricted Stock Award Agreement under the 2006 Omnibus India Subplan 2 (incorporated by reference to Exhibit 10.40 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.23 Restricted Stock Award Agreement between Vikram Talwar and the Company dated July 27, 2006 (incorporated by reference to Exhibit 10.41 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.24 Non-Qualified Stock Option Agreement between Rohit Kapoor and the Company dated July 27, 2006 (incorporated by reference to Exhibit 10.42 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.25 Amendment to ExlService Holdings, Inc. 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.43 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.26 Form of Restricted Stock Unit Agreement 1 under the 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.44 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.27 Form of Restricted Stock Unit Agreement 2 under the 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.45 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.28 Amendment No. 2 to ExlService Holdings, Inc. 2006 Omnibus Award Plan (incorporated by reference to Exhibit 10.46 of Amendment 6 to our Registration Statement on Form S-1 (No. 333-121001)).
- 10.29 Letter Agreement, dated March 20, 2008, between Exl Service.com, Inc. and Rembert de Villa.

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10.30	Form of 2010 Restricted Stock Unit Agreement 1 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on February 4, 2010).
10.31	Form of 2010 Restricted Stock Unit Agreement 2 (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed on February 4, 2010).
10.32	Form of 2010 Restricted Stock Unit Agreement 3 (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K filed on February 4, 2010).
10.33	Form of 2010 Restricted Stock Unit Agreement 4 (incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K filed on February 4, 2010).
10.34	Form of 2010 Restricted Stock Unit Agreement 5 (incorporated by reference to Exhibit 99.5 to the Current Report on Form 8-K filed on February 4, 2010).
10.35*	Framework Agreement, dated July 25, 2005, between Centrica plc, the Company and ExlService.com (India) Private Limited (incorporated by reference to Exhibit 10.37 to Annual Report on Form 10-K filed on March 16, 2009).
10.36	Notice of Extension between Centrica plc and the Company, dated July 11, 2008 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on November 10, 2008).
10.37*	Amendment No. 6, dated April 1, 2009, to the Framework Agreement between Centrica plc, the Company and ExlService.com (India) Private Limited (incorporated by reference to Exhibit 10.36 to Annual Report on Form 10-K filed on March 16, 2010).
10.38	Amendment No. 3 to ExlService Holdings, Inc. 2006 Omnibus Award Plan (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form S-8 (No. 333-157076)).
10.39**	Framework Agreement, dated February 29, 2012, by and among Centrica plc, the Company and exl Service.com (India) Private Limited.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the President and Chief Executive Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase***
101.DEF	XBRL Taxonomy Extension Definition Linkbase***
101.LAB	XBRL Taxonomy Extension Label Linkbase***
101.PRE	XBRL Extension Presentation Linkbase***

* Portions of this exhibit have been omitted pursuant to confidential treatment granted by the SEC.

** Confidential treatment has been requested with respect to portions of this exhibit, and such confidential portions have been deleted and filed separately with the SEC pursuant to Rule 24b-2 of the Exchange Act.

*** This exhibit will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

EXLSERVICE HOLDINGS, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
ExlService Holdings, Inc.

We have audited the accompanying consolidated balance sheets of ExlService Holdings, Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income/(loss) and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ExlService Holdings, Inc. and subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ExlService Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
March 6, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of ExlService Holdings, Inc.

We have audited ExlService Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ExlService Holdings, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Business Process Outsourcing, Inc. and Trumbull Services, LLC, which are included in the 2011 consolidated financial statements of ExlService Holdings, Inc. and subsidiaries and collectively constituted total assets of \$119,036 thousand (of which \$71,752 thousand represents goodwill and intangibles included within the scope of the assessment) as of December 31, 2011 and \$55,513 thousand of revenues for the year then ended. Our audit of internal control over financial reporting of ExlService Holdings, Inc. and subsidiaries also did not include an evaluation of the internal controls over financial reporting of Business Process Outsourcing, Inc. and Trumbull Services, LLC.

In our opinion, ExlService Holdings, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ExlService Holdings Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income/(loss) and cash flows for each of the three years in the period ended December 31, 2011 and our report dated March 6, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
March 6, 2012

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 82,393	\$ 111,182
Short-term investments	7,869	3,084
Restricted cash	934	231
Accounts receivable, net	55,672	44,186
Prepaid expenses	4,269	3,317
Deferred tax assets, net	6,228	1,721
Advance income tax, net	3,379	5,364
Other current assets	6,097	5,244
Total current assets	166,841	174,329
Fixed assets, net	42,320	34,733
Restricted cash	3,387	3,432
Deferred tax assets, net	16,495	14,333
Intangible assets, net	36,313	18,591
Goodwill	92,287	43,370
Other assets	19,768	16,895
Total assets	\$ 377,411	\$ 305,683
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,333	\$ 4,860
Deferred revenue	7,772	5,108
Accrued employee cost	27,700	23,947
Accrued expenses and other current liabilities	30,700	13,773
Current portion of capital lease obligations	1,729	231
Total current liabilities	72,234	47,919
Capital lease obligations, less current portion	4,244	389
Non-current liabilities	22,458	8,829
Total liabilities	98,936	57,137
Commitments and contingencies		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued	—	—
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized, 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011 and 29,690,463 shares issued and 29,437,961 shares outstanding as of December 31, 2010	31	30
Additional paid-in-capital	173,926	136,173
Retained earnings	147,046	112,266
Accumulated other comprehensive (loss)/income	(39,858)	1,126
Total stockholders' equity including shares held in treasury	281,145	249,595
Less: 323,397 shares as of December 31, 2011 and 252,502 shares as of December 31, 2010, held in treasury, at cost	(2,693)	(1,069)
ExlService Holdings, Inc. stockholders' equity	278,452	248,526
Non-controlling interest	23	20
Total stockholders' equity	278,475	248,546
Total liabilities and stockholders' equity	\$ 377,411	\$ 305,683

See accompanying notes to consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts)

	Year ended December 31,		
	2011	2010	2009
Revenues	\$ 360,541	\$ 252,753	\$ 190,995
Cost of revenues (exclusive of depreciation and amortization)	219,987	151,285	109,389
Gross profit	140,554	101,468	81,606
Operating expenses:			
General and administrative expenses	50,660	40,278	31,850
Selling and marketing expenses	25,582	18,832	13,950
Depreciation and amortization	22,994	15,835	11,405
Total operating expenses	99,236	74,945	57,205
Income from operations	41,318	26,523	24,401
Other income/(expense):			
Foreign exchange gain/(loss)	3,373	4,199	(5,929)
Interest and other income, net	1,957	1,367	1,023
Income before income taxes	46,648	32,089	19,495
Income tax provision	11,868	5,497	3,703
Income from continuing operations	34,780	26,592	15,792
Loss from discontinued operations, net of taxes	—	—	(139)
Net income	\$ 34,780	\$ 26,592	\$ 15,653
Earnings per share:			
Basic	\$ 1.15	\$ 0.91	\$ 0.54
Diluted	\$ 1.10	\$ 0.88	\$ 0.53
Weighted-average number of shares used in computing earnings per share:			
Basic	30,264,805	29,281,364	28,963,770
Diluted	31,546,144	30,388,520	29,417,910

See accompanying notes to consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME/(LOSS)
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock		Non - Controlling Interest	Total
	Shares	Amount				Shares	Amount		
Balance as of December 31, 2008	29,054,145	\$ 29	\$ 116,676	\$ 70,021	\$ (14,491)	(237,080)	\$ (903)	\$ —	\$171,332
Stock issued on exercise/vesting of equity awards	223,958	—	979	—	—	—	—	—	979
Non-employee stock options	—	—	80	—	—	—	—	—	80
Stock based compensation	—	—	7,093	—	—	—	—	—	7,093
Excess tax expense from stock based compensation	—	—	(343)	—	—	—	—	—	(343)
Acquisition of treasury stock	—	—	—	—	—	(9,950)	(73)	—	(73)
Non-controlling interest	—	—	8	—	—	—	—	13	21
Comprehensive income:									
Translation adjustments	—	—	—	—	3,026	—	—	—	3,026
Unrealized gain on cash flow hedges, net of taxes \$566	—	—	—	—	1,725	—	—	—	1,725
Retirement benefits, net of taxes (\$137)	—	—	—	—	(246)	—	—	—	(246)
Reclassification adjustment:									
Realized loss on cash flow hedges, net of taxes \$0	—	—	—	—	6,398	—	—	—	6,398
Retirement benefits, net of taxes \$0	—	—	—	—	73	—	—	—	73
Net income	—	—	—	15,653	—	—	—	—	15,653
Total comprehensive income	—	—	—	—	—	—	—	—	26,629
Balance as of December 31, 2009	29,278,103	\$ 29	\$ 124,493	\$ 85,674	\$ (3,515)	(247,030)	\$ (976)	\$ 13	\$205,718
Stock issued on exercise/vesting of equity awards	412,360	1	3,024	—	—	—	—	—	3,025
Non-employee stock options	—	—	58	—	—	—	—	—	58
Stock based compensation	—	—	8,491	—	—	—	—	—	8,491
Excess tax benefit from stock based compensation	—	—	107	—	—	—	—	—	107
Acquisition of treasury stock	—	—	—	—	—	(5,472)	(93)	—	(93)
Non controlling interest	—	—	—	—	—	—	—	7	7
Comprehensive income:									
Translation adjustments	—	—	—	—	3,484	—	—	—	3,484
Unrealized gain on cash flow hedges, net of taxes \$1,524	—	—	—	—	3,929	—	—	—	3,929
Retirement benefits, net of taxes (\$30)	—	—	—	—	(147)	—	—	—	(147)
Reclassification adjustment:									
Realized gain on cash flow hedges, net of taxes (\$916)	—	—	—	—	(2,745)	—	—	—	(2,745)
Retirement benefits, net of taxes \$47	—	—	—	—	120	—	—	—	120
Net income	—	—	—	26,592	—	—	—	—	26,592
Total comprehensive income	—	—	—	—	—	—	—	—	31,233
Balance as of December 31, 2010	29,690,463	\$ 30	\$ 136,173	\$ 112,266	\$ 1,126	(252,502)	\$ (1,069)	\$ 20	\$248,546
Stock issued on exercise/vesting of equity awards	805,998	—	5,535	—	—	—	—	—	5,535
Stock issued in primary offering	1,000,000	1	21,525	—	—	—	—	—	21,526
Non-employee stock options	—	—	21	—	—	—	—	—	21
Stock based compensation	—	—	9,462	—	—	—	—	—	9,462
Excess tax benefit from stock based compensation	—	—	1,210	—	—	—	—	—	1,210
Acquisition of treasury stock	—	—	—	—	—	(70,895)	(1,624)	—	(1,624)
Non controlling interest	—	—	—	—	—	—	—	3	3
Comprehensive income/(loss):									
Translation adjustments	—	—	—	—	(24,844)	—	—	—	(24,844)
Unrealized loss on cash flow hedges, net of taxes (\$5,509)	—	—	—	—	(14,820)	—	—	—	(14,820)
Retirement benefits, net of taxes (\$66)	—	—	—	—	(285)	—	—	—	(285)
Reclassification adjustment:									
Realized gain on cash flow hedges, net of taxes (\$484)	—	—	—	—	(1,116)	—	—	—	(1,116)
Retirement benefits, net of taxes \$22	—	—	—	—	81	—	—	—	81
Net income	—	—	—	34,780	—	—	—	—	34,780
Total comprehensive loss	—	—	—	—	—	—	—	—	(6,204)
Balance as of December 31, 2011	31,496,461	\$ 31	\$ 173,926	\$ 147,046	\$ (39,858)	(323,397)	\$ (2,693)	\$ 23	\$278,475

See accompanying notes to consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands, except share and per share amounts)

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 34,780	\$ 26,592	\$ 15,653
Loss from discontinued operations, net of taxes	—	—	139
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,994	15,835	11,405
Stock-based compensation expense	9,462	8,491	7,093
Amortization of debt issuance costs	90	—	—
Non-employee stock options	21	58	140
Gain on bargain purchase	(405)	—	—
Unrealized foreign exchange (gain)/loss	(6,596)	1,050	(98)
Deferred income taxes	(1,705)	(2,375)	(8,400)
Excess tax (benefit)/expense from stock-based compensation	(1,210)	(107)	343
Non-controlling interest	3	7	—
Change in operating assets and liabilities (net of effect of acquisitions):			
Restricted cash	(498)	431	(3,258)
Accounts receivable	(5,109)	(8,443)	(287)
Prepaid expenses and other current assets	(4,660)	(2,166)	(54)
Accounts payable	(840)	(145)	1,211
Deferred revenue	(319)	(2,767)	3,333
Accrued expenses and other liabilities	8,520	9,082	3,844
Advance income tax, net	1,408	(5,850)	2,514
Other assets	299	(3,187)	2,117
Net cash provided by operating activities	<u>56,235</u>	<u>36,506</u>	<u>35,695</u>
Cash flows from investing activities:			
Purchase of fixed assets	(19,468)	(19,860)	(11,416)
Business acquisition (net of cash acquired)	(80,983)	(42,144)	(3,529)
Purchase of short-term investments	(8,818)	(2,424)	(3,987)
Proceeds from redemption of short-term investments	3,517	3,456	153
Proceeds from sale of discontinued operations	—	—	1,448
Net cash used for investing activities	<u>(105,752)</u>	<u>(60,972)</u>	<u>(17,331)</u>
Cash flows from financing activities:			
Principal payments on capital lease obligations	(1,286)	(88)	(114)
Proceeds from sale of common stock, net of issuance costs	21,526	—	—
Proceeds from short-term borrowings	30,000	—	—
Repayments of short-term borrowings	(30,049)	—	—
Payment of debt issuance costs	(446)	—	—
Proceeds from issuance of stock to minority shareholders	—	—	21
Acquisition of treasury stock	(1,624)	(93)	(73)
Proceeds from exercise of stock options	5,535	3,024	979
Excess tax benefit/(expense) from stock-based compensation	1,210	107	(343)
Net cash provided by financing activities	<u>24,866</u>	<u>2,950</u>	<u>470</u>
Effect of exchange rate changes on cash and cash equivalents	(4,138)	483	1,207
Net increase/(decrease) in cash and cash equivalents	<u>(28,789)</u>	<u>(21,033)</u>	<u>20,041</u>
Cash and cash equivalents, beginning of period	<u>111,182</u>	<u>132,215</u>	<u>112,174</u>
Cash and cash equivalents, end of period	<u>\$ 82,393</u>	<u>\$ 111,182</u>	<u>\$ 132,215</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 803	\$ 43	\$ 22
Cash paid for taxes, net of refund	\$ 14,542	\$ 12,815	\$ 4,845
Assets acquired under capital lease	\$ 353	\$ 547	\$ 108

See accompanying notes to consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011
(In thousands, except share and per share amounts)

1. Organization and Basis of Presentation

Organization

ExlService Holdings, Inc. (ExlService Holdings) is organized as a corporation under the laws of the state of Delaware. ExlService Holdings, together with its subsidiaries (collectively, the Company), is a leading provider of outsourcing services and transformation services. The Company's clients are located principally in the U.S. and the U.K.

Basis of Presentation

Certain amounts in the prior year's financial statements and related notes have been reclassified to conform to the 2011 presentation.

2. Summary of Significant Accounting Policies

Basis of Preparation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The accompanying financial statements have been prepared on a consolidated basis and reflect the financial statements of ExlService Holdings and all of its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The non-controlling interest represents the minority partner's interest in the operation of exl Service.com (India) Private Limited (Exl India) and the profits associated with the minority partner's interest in those operations, in the consolidated balance sheet and consolidated statement of income, respectively. The minority partner's interest in the operations for the year ended December 31, 2011 and 2010 was insignificant and is included under general and administrative expenses in the consolidated statements of income.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the consolidated statements of income during the reporting period. Estimates are based upon management's best assessment of the current business environment. Actual results could differ from those estimates. The significant estimates and assumptions that affect the financial statements include, but are not limited to, allowance for doubtful receivables, service tax receivables, assets and obligations related to employee benefit plans, deferred tax valuation allowances, income-tax uncertainties and other contingencies, valuation of derivatives financial instruments, stock-based compensation expense, depreciation and amortization periods, recoverability of long-term assets including goodwill and intangibles, and estimates to complete fixed price contracts.

Foreign Currency Translation

The functional currency of each entity in the Company is its respective local country currency which is also the currency of the primary economic environment in which it operates except for some of the entities in Mauritius. Monetary assets and liabilities in foreign currencies are re-measured into functional currency at the

EXLSERVICE HOLDINGS, INC.
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rates of exchange prevailing at the balance sheet dates. Transactions in foreign currencies are re-measured into functional currency at the rates of exchange prevailing on the date of the transaction. All transaction foreign exchange gains and losses are recorded in the accompanying consolidated statements of income.

The assets and liabilities of the subsidiaries for which the functional currency is other than the U.S. dollar are translated into U.S. dollars, the reporting currency, at the rate of exchange prevailing on the balance sheet dates. Revenues and expenses are translated into U.S. dollars at the exchange rates prevailing on the last business day of each month, which approximates the average monthly exchange rate. Resulting translation adjustments are included in accumulated other comprehensive income/(loss).

Revenue Recognition

The Company derives its revenues from outsourcing and transformation services. Revenues from outsourcing services are recognized primarily on a time-and-material, cost-plus or unit-priced basis; revenues from transformation services are recognized primarily on a time-and-material, fixed price or contingent fee basis. The services provided within our contracts generally contain one unit of accounting. Revenues are recognized under our contracts generally when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, services have been performed and collection of amounts billed is reasonably assured.

Revenues under time-and-material contracts are recognized as the services are performed. Revenues are recognized on cost-plus contracts on the basis of contractually agreed direct and indirect costs incurred on a client contract plus an agreed upon profit mark-up. Revenues are recognized on unit-price based contracts based on the number of specified units of work (such as the number of e-mail responses) delivered to a client. Such revenues are recognized as the related services are provided in accordance with the client contract. When the terms of the client contract specify service level parameters that must be met (such as turnaround time or accuracy), we monitor such service level parameters to determine if any service credits or penalties have been incurred. Revenues are recognized net of any service credits that are due to a client. We have experienced minimal service credits and penalties to date.

Revenues from software licensing arrangements are recognized at the later of time of delivery or expiration of significant termination rights. Revenues from fixed-term maintenance and support contracts are recognized ratably on a monthly basis over the period of the contract. Revenues from contracts for software modification are generally fixed price contracts and are recognized under the proportional performance method as described below.

Revenues are recognized on fixed-price contracts using the proportional performance method. We estimate the proportional performance of a contract by comparing the actual number of hours or days worked to the estimated total number of hours or days required to complete each engagement. The use of the proportional performance method requires significant judgment relative to estimating the number of hours or days required to complete the contracted scope of work, including assumptions and estimates relative to the length of time to complete the project and the nature and complexity of the work to be performed. We regularly monitor our estimates for completion of a project and record changes in the period in which a change in an estimate is determined. If a change in an estimate results in a projected loss on a project, such loss is recognized in the period in which it is first identified.

The Company accrues for revenue and receivables for services rendered between the last billing date and the balance sheet date. Accordingly, our accounts receivable include amounts for services that we have performed and for which an invoice has not yet been issued to the client.

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Reimbursements of out-of-pocket expenses received from clients have been included as part of revenues in accordance with Accounting Standards Codification (ASC) topic 605-45-14, “Income Statement Characterization of Reimbursements Received for “Out-of-Pocket” Expenses Incurred.”

Revenues for the following periods include reimbursements of out-of-pocket expenses:

Year ended December 31, 2011	\$16,073
Year ended December 31, 2010	\$11,820
Year ended December 31, 2009	\$ 9,564

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Pursuant to the Company’s investment policy, its surplus funds are kept as cash or cash equivalents and are invested in highly-rated mutual funds, money market accounts and time deposits to reduce its exposure to market risk with regard to these funds.

Current restricted cash represents amounts on deposit with banks against bank guarantees issued through banks for equipment imports that will mature on various dates before December 31, 2012, as well as client funds held in dedicated bank accounts.

Non-current restricted cash represents amounts on deposit with banks against bank guarantees issued through banks for equipment imports and for demands against pending income tax assessments (see Note 17 for details), that will mature on various dates after December 31, 2012.

Investments

The Company’s investments consist of time deposits with financial institutions which are valued at cost and approximate fair value. Interest earned on such investments is included in interest income. Investments with original maturities greater than three months but less than twelve months are classified as short-term investments. Investments with maturities greater than twelve months from the balance sheet date are classified as long-term investments.

Accounts Receivable

Accounts receivable are recorded net of allowances for doubtful accounts. Allowances for doubtful accounts are established through the evaluation of accounts receivables ageing and prior collection experience to estimate the ultimate collectability of these receivables. As on December 31, 2011 and 2010, the Company had \$134 and \$246 of allowance for doubtful accounts, respectively.

Accounts receivable include unbilled accounts receivable which represents revenues for services performed but yet to be billed to the client. As of December 31, 2011 and 2010, the Company had \$6,103 and \$560 of unbilled accounts receivable, respectively, which are subsequently billed to respective clients.

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Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and amortization. Equipment held under capital leases is stated at the lower of present value of minimum lease payments at the inception of the leases or its fair value. Advances paid towards acquisition of fixed assets and the cost of fixed assets not yet placed in service before the end of the period are classified as construction in progress.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through an assessment of the estimated future undiscounted cash flows related to such assets. In the event that assets are found to be carried at amounts that are in excess of estimated undiscounted future cash flows, the carrying value of the related asset or group of assets is reduced to a level commensurate with fair value based on a discounted cash flow analysis.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization on equipment held under capital leases and leasehold improvements are computed using the straight-line method over the shorter of the assets' estimated useful lives or the lease term.

The estimated lives used in determining depreciation are as follows:

	Estimated Useful Life (Years)
Network equipment, computers and software	3-5
Buildings	30
Land	—
Leasehold improvements	3-8
Office furniture and equipment	3-7
Motor vehicles	3-5

Business Combinations, Goodwill and Other Intangible Assets

ASC topic 805, "Business Combinations" (ASC No. 805), requires that the purchase method of accounting be used for all business combinations. The guidance specifies criteria as to intangible assets acquired in a business combination that must be recognized and reported separately from goodwill. Under ASC topic 350, "Intangibles—Goodwill and Other" (ASC No. 350), all assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units.

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized but is tested for impairment at least on an annual basis, relying on a number of factors including operating results, business plans and estimated future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. The fair value of the reporting unit is measured by discounting estimated future cash flows. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. Goodwill of a reporting unit will be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period.

The Company's definite lived intangible assets are amortized over their estimated useful lives as listed below using a straight-line method or a method of amortization that reflects the pattern in which the economic benefits of the intangibles assets were consumed or otherwise realized:

Customer relationships	3-15 years
Leasehold benefits	3-8 years
Developed technology	5-10 years
Non-compete agreements	1-2 years
Trade names and trademarks	3-5 years

Derivative Financial Instruments.

In the normal course of business, the Company actively looks to mitigate the exposure of foreign currency market risk by entering into various hedging instruments, authorized under Company policies, with counterparties that are highly rated financial institutions. The Company uses derivative instruments for the purpose of mitigating the underlying exposure from foreign currency fluctuation risks associated with forecasted transactions denominated in certain foreign currencies and to minimize earnings and cash flow volatility associated with changes in foreign currency exchange rates, and not for speculative trading purposes.

The Company hedges anticipated transactions that are subject to foreign exchange exposure with foreign currency exchange contracts that are designated effective and that qualify as cash flow hedges under ASC topic 815, "*Derivatives and Hedging*" (ASC No. 815). Changes in the fair value of these cash flow hedges which are deemed effective, are recorded in accumulated other comprehensive income/(loss) (AOCI) until the hedged transactions occur and at that time are recognized in the consolidated statements of income. Changes in the fair value of cash flow hedges deemed ineffective are recognized in the consolidated statement of income and are included in foreign exchange gain/(loss). The Company also uses derivatives instruments consisting of foreign currency exchange contracts not designated as hedging instruments under ASC No. 815 to hedge intercompany balances and other monetary assets or liabilities denominated in currencies other than the functional currency. Changes in the fair value of these derivatives are recognized in the consolidated statements of income and are included in foreign exchange gain/(loss).

The Company evaluates hedge effectiveness at the time a contract is entered into as well as on an ongoing basis. If during this time, a contract is deemed ineffective, the change in the fair value is recorded in the consolidated statements of income and is included in foreign exchange gain/(loss). For hedge relationships that are discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

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Retirement Benefits

Contributions to defined contribution plans are charged to the consolidated statements of income in the period in which services are rendered by the covered employees. Current service costs for defined benefit plans are accrued in the period to which they relate. In accordance with ASC topic 715, “*Compensation-Retirement Benefit*” (ASC No. 715), the liability in respect of defined benefit plans is calculated annually by the Company using the projected unit credit method. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees. The Company recognizes its liabilities for compensated absences in accordance with ASC topic 710, “*Compensation-General*” (ASC No. 710).

Share-Based Compensation

The Company follows ASC topic 718, “*Compensation—Stock Compensation*” (ASC No. 718), which requires the recognition of stock-based compensation expense in the consolidated financial statements for awards of equity instruments to employees and non-employee directors based on the grant-date fair value of those awards. The Company recognizes these compensation costs, net of an estimated forfeiture rate, over the requisite service period of the award.

Income Taxes

The Company accounts for income taxes in accordance with ASC topic 740, “*Income Taxes*” (ASC No. 740). Under ASC No. 740, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis and all operating losses carried forward, if any. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which the applicable temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates or tax status is recognized in the statement of income in the period in which the change is identified. Deferred tax assets are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC No. 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The guidance contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC No. 740. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will be more likely than not sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. Interest and penalties related to unrecognized tax benefits are being included in provision for income-tax expense in the consolidated statements of income.

Financial Instruments and Concentration of Credit Risk

Financial Instruments. For certain financial instruments including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, and other current liabilities, recorded amounts approximate fair value due to the relatively short maturity periods of such instruments.

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Concentration of Credit Risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, time deposits, accounts receivable and derivative financial instruments. By their nature, all such financial instruments involve risks including the credit risks of non-performance by counterparties. Pursuant to the Company's investment policy, its surplus funds are maintained as cash or cash equivalents and are invested in highly-rated mutual funds, money market accounts and time deposits to reduce its exposure to market risk with regard to these funds. Trade accounts receivable are incurred pursuant to contractual terms with customers. Credit losses on accounts receivable have not been material because of a large concentration of revenues with a small number of large, established companies. The Company evaluates the creditworthiness of its clients in conjunction with its revenue recognition processes as well as through its ongoing collectability assessment processes for accounts receivable.

As of December 31, 2011, two customers accounted for approximately 13% and 12% respectively, of the Company's total accounts receivable. As of December 31, 2010, two customers accounted for approximately 17% and 15% respectively, of the Company's total accounts receivable.

Earnings Per Share

Basic earnings per share is computed by dividing net income to common stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common shares plus the potentially dilutive effect of common stock equivalents issued and outstanding at the reporting date, using the treasury stock method. Stock options, restricted stock and restricted stock units that are anti-dilutive are excluded from the computation of weighted average shares outstanding.

Any cash or in-kind dividends paid with respect to unvested shares of restricted stock and restricted stock units are withheld by the Company and paid to the holder of such shares of restricted stock, without interest, only if and when such shares of restricted stock and restricted stock units vest. Any unvested shares of restricted stock and restricted stock units are immediately forfeited without consideration upon the termination of holder's employment with the Company or its affiliates. Accordingly, the Company's unvested restricted stock and restricted stock units do not include non-forfeitable rights to dividends or dividend equivalents and are therefore not considered as participating securities for purposes of earnings per share calculations pursuant to the two-class method. However, the Company's vested restricted stock units against which the underlying common stock has not been issued, contain non-forfeitable rights to dividends or dividend equivalents and are therefore after vesting considered as participating securities for the purposes of computing basic earnings per share pursuant to the two-class method. Application of this treatment had an insignificant effect on the basic earnings per share.

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The following table sets forth the computation of basic and diluted earnings per share:

	Year ended December 31,		
	2011	2010	2009
Numerators:			
Net income :			
Continuing operations	\$ 34,780	\$ 26,592	\$ 15,792
Discontinued operations	—	—	(139)
	<u>\$ 34,780</u>	<u>\$ 26,592</u>	<u>\$ 15,653</u>
Denominators:			
Basic weighted average common shares outstanding	30,264,805	29,281,364	28,963,770
Dilutive effect of share based awards	1,281,339	1,107,156	454,140
Diluted weighted average common shares outstanding	<u>31,546,144</u>	<u>30,388,520</u>	<u>29,417,910</u>
Weighted average common shares considered anti-dilutive in computing diluted earnings per share	424,081	674,507	2,193,147

Accumulated Other Comprehensive Income/(Loss)

ASC topic 220, "Reporting Comprehensive Income," establishes rules for the reporting of comprehensive income and its components. Comprehensive income is defined as all changes in equity from non-owner sources. For the Company, comprehensive income/(loss) consists of net earnings/(loss), amortization of actuarial gain/(loss) on retirement benefits and changes in the cumulative foreign currency translation adjustments. In addition, the Company enters into foreign currency exchange contracts, which are designated as cash flow hedges in accordance with ASC No. 815. Changes in the fair values of contracts that are deemed effective are recorded as a component of accumulated other comprehensive income until the settlement of that contract. The balances of different components as of December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Cumulative translation adjustments	\$ (26,337)	\$ (1,493)
Unrealized gain/(loss) on cash flow hedges, net of taxes of (\$4,819) and \$1,174	(12,910)	3,026
Retirement benefits, net of taxes of (\$164) and (\$120)	(611)	(407)
Accumulated other comprehensive income/(loss)	<u>\$ (39,858)</u>	<u>\$ 1,126</u>

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31, 2011	December 31, 2010
Accrued expenses	\$ 12,134	\$ 10,199
Derivative instruments	9,170	—
Other current liabilities	9,397	3,574
Accrued expenses and other current liabilities	<u>\$ 30,700</u>	<u>\$ 13,773</u>

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Non-current liabilities

Non-current liabilities consist of the following:

	December 31, 2011	December 31, 2010
Derivative instruments	\$ 8,559	\$ —
Unrecognized tax benefits	4,981	4,136
Deferred rent	3,319	2,787
Retirement benefits	3,068	1,906
Other non-current liabilities	2,531	—
Non-current liabilities	<u>\$ 22,458</u>	<u>\$ 8,829</u>

Recent Accounting Pronouncements

In December 2010, the Financial Accounting Standard Board (FASB) issued update No. 2010-29, “*Disclosure of Supplementary Pro Forma Information for Business Combinations*” (ASU No. 2010-29). ASU No. 2010-29 requires public companies to disclose revenues and earnings of the combined entity as though the current period business combination had occurred as of the beginning of the comparable prior annual reporting period while presenting comparative financial statements. The amendments expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. We adopted the guidance effective January 1, 2011 for material (either on an individual or aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010. The adoption of the guidance had no effect on the Company’s financial position or results of operations. See Note 5 to our consolidated financial statements for further details.

In May 2011, the FASB issued update No. 2011-04, “*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*” (ASU No. 2011-04). ASU No. 2011-04 was intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The amendments in this update result in common fair value measurement and disclosure requirements in GAAP and IFRS. The update explains how to measure fair value and does not require additional measurements. The update is effective from January 1, 2012 and may require certain additional disclosures associated with the fair value measures.

In June 2011, the FASB issued update No. 2011-05, “*Presentation of Comprehensive Income*” (ASU No. 2011-05). ASU No. 2011-05 effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, FASB issued update No. 2011-12, an amendment to defer the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the two aforementioned amendments is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

In September 2011, the FASB issued update No. 2011-08, “*Testing Goodwill for Impairment*” (ASU No. 2011-08), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely

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than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company is currently evaluating the impact of adopting the provisions of ASU 2011-08.

3. Quarterly Financial Data (Unaudited)

Summarized quarterly results for the years ended December 31, 2011 and 2010 are as follows:

2011	Three months ended				
	March 31	June 30	September 30	December 31	Full Year
Revenues	\$ 72,907	\$ 85,028	\$ 100,026	\$ 102,580	\$ 360,541
Gross profit	28,688	33,030	38,271	40,565	140,554
Net income to common stockholders	\$ 8,361	\$ 8,475	\$ 8,391	\$ 9,553	\$ 34,780
Earnings Per Share:					
Basic	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.31	\$ 1.15
Diluted	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.29	\$ 1.10
Weighted-average number of shares used in computing earnings per share:					
Basic	29,620,218	29,859,811	30,293,114	31,266,183	30,264,805
Diluted	30,911,066	31,043,426	31,586,936	32,623,251	31,546,144
Note:					
Stock compensation expense	\$ 2,248	\$ 2,879	\$ 2,160	\$ 2,175	\$ 9,462
Amortization of intangibles	\$ 636	\$ 913	\$ 1,395	\$ 1,385	\$ 4,329

2010	Three months ended				
	March 31	June 30	September 30	December 31	Full Year
Revenues	\$ 54,489	\$ 60,639	\$ 67,585	\$ 70,040	\$ 252,753
Gross profit	23,004	23,192	27,001	28,271	101,468
Net income to common stockholders	\$ 5,623	\$ 4,869	\$ 7,804	\$ 8,296	\$ 26,592
Earnings Per Share:					
Basic	\$ 0.19	\$ 0.17	\$ 0.27	\$ 0.28	\$ 0.91
Diluted	\$ 0.19	\$ 0.16	\$ 0.26	\$ 0.27	\$ 0.88
Weighted-average number of shares used in computing earnings per share:					
Basic	29,128,741	29,231,812	29,302,862	29,458,508	29,281,364
Diluted	30,157,956	30,201,092	30,385,308	30,806,190	30,388,520
Note:					
Stock compensation expense	\$ 1,828	\$ 2,404	\$ 2,121	\$ 2,138	\$ 8,491
Amortization of intangibles	\$ 181	\$ 520	\$ 688	\$ 635	\$ 2,024

Note: Figures for the quarters may not be comparable due to acquisitions in 2010 and 2011.

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4. Segment Information

The Company is organized around its outsourcing services and transformation services segments. The Company's recent acquisition of Business Process Outsourcing, Inc. (OPI) and Trumbull Services, LLC (Trumbull) is classified within the outsourcing services segment. See Note 5 for further details regarding the OPI Acquisition and the Trumbull Acquisition.

The chief operating decision maker generally reviews financial information at the consolidated statement of income level but does not review any information except for revenues and cost of revenues of the individual segments. Therefore, the Company does not allocate or evaluate operating expenses, interest expense or income, capital expenditures, and income taxes to its operating segments. Consequently, it is not practical to show assets, capital expenditures, depreciation or amortization by segment.

Revenues and cost of revenues for each of the years ended December 31, 2011, 2010 and 2009, for outsourcing services and transformation services segments, respectively, are as follows:

	<u>Year ended December 31, 2011</u>			<u>Year ended December 31, 2010</u>		
	<u>Outsourcing Services</u>	<u>Transformation Services</u>	<u>Total</u>	<u>Outsourcing Services</u>	<u>Transformation Services</u>	<u>Total</u>
Revenues	\$ 294,361	\$ 66,180	\$360,541	\$ 192,095	\$ 60,658	\$252,753
Cost of revenues (exclusive of depreciation and amortization)	178,301	41,686	219,987	113,461	37,824	151,285
Gross profit	<u>\$ 116,060</u>	<u>\$ 24,494</u>	<u>\$140,554</u>	<u>\$ 78,634</u>	<u>\$ 22,834</u>	<u>\$101,468</u>
Operating expenses			99,236			74,945
Other income/(expense)			5,330			5,566
Income tax provision			11,868			5,497
Net income			<u>\$ 34,780</u>			<u>\$ 26,592</u>

	<u>Year ended December 31, 2009</u>		
	<u>Outsourcing Services</u>	<u>Transformation Services</u>	<u>Total</u>
Revenues	\$ 152,638	\$ 38,357	\$190,995
Cost of revenues (exclusive of depreciation and amortization)	83,064	26,325	109,389
Gross profit	<u>\$ 69,574</u>	<u>\$ 12,032</u>	<u>\$ 81,606</u>
Operating expenses			57,205
Other income/(expense)			(4,906)
Income tax provision			3,703
Income from continuing operations			15,792
Loss from discontinued operations, net of taxes			(139)
Net income			<u>\$ 15,653</u>

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5. Business Combinations, Goodwill and Intangible Assets

On May 31, 2011, the Company completed its acquisition of OPI, a Delaware corporation formerly organized as a Cayman Islands exempted company (the OPI Acquisition), pursuant to a Merger Agreement, dated as of April 30, 2011 (the Merger Agreement).

The Company acquired OPI to strengthen its position as a provider of finance and accounting outsourcing services. The aggregate consideration paid to OPI's former stockholders in the Merger was \$91,000 in cash, excluding adjustments based on OPI's working capital, debt and certain expenses incurred by OPI in connection with the consummation of the transactions contemplated by the Merger Agreement (the Merger Consideration). Pursuant to the Merger Agreement, a portion of the Merger Consideration was placed into escrow as security for the indemnification obligations of OPI's stockholders.

On October 1, 2011, the Company also acquired Trumbull, a market leader in subrogation services for property and casualty insurance companies, from The Hartford Financial Services Group, Inc. (Hartford). With the Trumbull Acquisition, the Company has strengthened its leadership position in the insurance industry with a highly skilled and experienced employee base and access to an advanced software platform, and has become a leading provider of complex insurance subrogation outsourcing services.

The total purchase price of the acquisitions is as follows:

	<u>Amount</u> <u>(In thousands)</u>
Enterprise Value	\$ 91,250
Less: OPI debt as of the acquisition date	(7,045)
Add: Working capital baseline and other adjustments as of the acquisition date	16,955
Total purchase price	<u>\$ 101,160</u>

The Company's preliminary purchase price allocation for the acquisitions is as follows:

	<u>Amount</u> <u>(In thousands)</u>
Net tangible assets	\$ 24,194
Identifiable intangible assets:	
Customer relationships	16,696
Leasehold benefits	3,100
Trade names and Trademarks	1,822
Non-compete agreements	1,117
Developed technology	32
Goodwill*	54,604
Other income**	(405)
Total purchase price	<u>\$ 101,160</u>

* Includes \$14,000 deposited in an escrow account in connection with the OPI Acquisition.

** Represents gain on bargain purchase recognized in connection with the Trumbull Acquisition, primarily as a result of customer relationships acquired.

Under ASC topic 805, "*Business Combinations*," the preliminary allocation of the purchase price to the tangible and intangible assets and liabilities acquired may change up to a period of one year from the date of acquisition. Accordingly, the Company may adjust the amounts recorded as of December 31, 2011 to reflect any

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revised valuations of the assets acquired or liabilities assumed. The customer relationships and leasehold benefits from the OPI Acquisition are being amortized over a weighted average life of 10.6 years and the remaining period of the lease (approximately 8 years), respectively. Similarly, trade names, trademarks and non-compete agreements are being amortized over a life of 3.0 years and 1.5 years, respectively.

During the year ended December 31, 2011, the Company recognized \$1,351 of acquisition-related costs, which amounts are included under general and administrative expenses in the audited consolidated statements of income.

Unaudited Pro Forma Financial Information

ASC paragraph 805-10-50-2(h) requires a public entity to disclose pro forma information for the business combinations that occurred in the current reporting period. Under ASU No. 2010-29, the disclosures include pro forma revenues and earnings of the combined entity for the current reporting period as though the acquisition date for the business combination that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenues and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period.

The unaudited financial information in the table below summarizes the combined results of operations of ExlService Holdings and OPI, on a pro forma basis, as though the companies had been combined as of January 1, 2010. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the OPI Acquisition had taken place on that date or of results that may occur in the future. The unaudited pro forma financial information for the years ended December 31, 2011 and 2010 combines the results for the Company for the years ended December 31, 2011 and 2010 and the historical results for OPI for the five months ended May 31, 2011 and for the year ended December 31, 2010.

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total revenues	\$ 397,322	\$ 328,848
Net income	\$ 37,862	\$ 28,746
Earnings per share:		
Basic	\$ 1.25	\$ 0.98
Diluted	\$ 1.20	\$ 0.95
Weighted-average number of shares used in computing earnings per share:		
Basic	30,264,805	29,281,364
Diluted	31,546,144	30,388,520

Net income for the years ended December 31, 2011 and 2010 include adjustments for amortization of identifiable intangible assets recognized from the OPI Acquisition, Merger-related transaction costs including advisory and legal fees incurred which are directly attributable to the Merger, but which are not expected to have a continuing impact on the combined entity's results and adjustment for changes to income tax expense as a result of the consummation of this transaction.

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Our results of operations for years ended December 31, 2011 include \$53,479 of revenues and \$4,469 of net income, respectively, attributable to the revenues and net income of OPI since the OPI Acquisition was consummated.

Goodwill

The following table sets forth details of the Company's goodwill balance as of December 31, 2011:

	<u>Outsourcing Services</u>	<u>Transformation Services</u>	<u>Total</u>
Balance at January 1, 2010	\$ 2,834	\$ 16,785	\$19,619
Goodwill arising from acquisitions	28,557	—	28,557
Purchase accounting adjustments*	(5,303)	—	(5,303)
Currency translation adjustments	497	—	497
Balance at December 31, 2010	<u>26,585</u>	<u>16,785</u>	<u>43,370</u>
Goodwill arising from OPI acquisition	54,604	—	54,604
Currency translation adjustments	(5,687)	—	(5,687)
Balance at December 31, 2011	<u>\$ 75,502</u>	<u>\$ 16,785</u>	<u>\$92,287</u>

* Represents adjustments related to the GTSC and PDMA acquisitions.

Based on the results of its first step impairment tests performed during the year ended December 31, 2011, the Company's goodwill was not impaired. The Company makes every reasonable effort to ensure that it accurately estimates the fair value of the reporting units. However, future changes in the assumptions used to make these estimates could result in the recording of an impairment loss. In the event the Company records an impairment loss in the future, such amount will not be deductible for tax purposes.

Intangible Assets

Information regarding the Company's intangible assets is set forth below:

	<u>As of December 31, 2011</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Customer relationships	\$33,100	\$ (4,456)	\$28,644
Leasehold benefits	3,474	(668)	2,806
Developed technology	2,133	(351)	1,782
Non-compete agreements	1,316	(606)	710
Trade names and trademarks	2,722	(351)	2,371
	<u>\$42,745</u>	<u>\$ (6,432)</u>	<u>\$36,313</u>

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	As of December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$16,595	\$ (1,726)	\$14,869
Leasehold benefits	1,002	(257)	745
Developed technology	2,100	(140)	1,960
Non-compete agreements	200	(83)	117
Trade names and trademarks	900	—	900
	<u>\$20,797</u>	<u>\$ (2,206)</u>	<u>\$18,591</u>

Amortization expense for the year ended December 31, 2011, 2010 and 2009 was \$4,329, \$2,024 and \$167, respectively. The weighted average life of intangible assets was 10.1 years for customer relationships, 6.8 years for leasehold benefits, 10.0 years for developed technology, 1.5 years for non-compete agreements and 3.0 years for trade names and trademarks excluding indefinite life trade names and trademarks. The Company had \$900 of indefinite life trade names and trademarks as of December 31, 2011 and December 31, 2010.

Estimated amortization of intangible assets during the year ending December 31,

2012	\$ 5,346
2013	\$ 4,417
2014	\$ 3,959
2015	\$ 3,709
2016	\$ 3,706

6. Fair Value Measurements

ASC topic 820, “*Fair Value Measurements and Disclosures*” (ASC No. 820) defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including the Company’s own credit risk.

ASC No. 820 establishes a three-level hierarchy of fair value measurements based on whether the inputs to those measurements are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. The fair-value hierarchy requires the use of observable market data when available and consists of the following levels:

- Level 1 – Quoted prices for identical instruments in active markets;
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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The following table sets forth the Company's assets and liabilities that were accounted for at fair value as of December 31, 2011 and 2010. The table excludes short-term investments, accounts receivable, accounts payable and accrued expenses for which fair values approximate their carrying amounts.

Assets and Liabilities Measured at Fair Value

The assets and liabilities measured at fair value on recurring basis are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2011				
Assets				
Money market and mutual funds	\$42,067	\$ —	\$ —	\$42,067
Derivative financial instruments	—	32	—	32
Total	<u>\$42,067</u>	<u>\$ 32</u>	<u>\$ —</u>	<u>\$42,099</u>
Liabilities				
Derivative financial instruments	\$ —	\$17,729	\$ —	\$17,729
Total	<u>\$ —</u>	<u>\$17,729</u>	<u>\$ —</u>	<u>\$17,729</u>
As of December 31, 2010				
Assets				
Money market and mutual funds	\$83,335	\$ —	\$ —	\$83,335
Derivative financial instruments	—	4,214	—	4,214
Total	<u>\$83,335</u>	<u>\$ 4,214</u>	<u>\$ —</u>	<u>\$87,549</u>
Liabilities				
	—	—	—	—

Derivative Financial Instruments: The Company's derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on broker quotations and are classified as Level 2. See Note 7 for further details on Derivatives and Hedge Accounting.

7. Derivatives and Hedge Accounting

The Company actively looks to mitigate the exposure of foreign currency market risk by entering into various hedging instruments, authorized under Company policies, with counterparties that are highly rated financial institutions. The Company's primary exchange rate exposure is with U.K. pound sterling and the Indian rupee. The Company also has exposure in Philippine pesos, Czech koruna and other local currencies in which it operates. The Company uses derivative instruments for the purpose of mitigating the underlying exposure from foreign currency fluctuation risks associated with forecasted transactions denominated in certain foreign currencies and to minimize earnings and cash flow volatility associated with changes in foreign currency exchange rates, and not for speculative trading purposes. These derivative financial instruments are largely forward foreign exchange contracts that are designated effective and that qualify as cash flow hedges under ASC topic 815, "Derivatives and Hedging" (ASC No. 815). The Company also uses derivatives consisting of foreign currency exchange contracts not designated as hedging instruments under ASC No. 815 to hedge intercompany balances and other monetary assets or liabilities denominated in currencies other than the functional currency.

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The Company had outstanding foreign exchange contracts totaling \$235,866 and GBP 10,368 as of December 31, 2011 and totaling \$166,030, GBP 8,434 and EUR 785 as of December 31, 2010. The Company estimates that approximately \$9,170 of net derivative losses included in accumulated other comprehensive income could be reclassified into earnings within the next 12 months based on exchange rates prevailing as of December 31, 2011. At December 31, 2011, the maximum outstanding term of derivative instruments that hedge forecasted transactions was thirty three months.

The Company evaluates hedge effectiveness at the time a contract is entered into as well as on an ongoing basis. If during this time, a contract is deemed ineffective, the change in the fair value is recorded in the consolidated statements of income and is included in foreign exchange gain/(loss). For hedge relationships that are discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings. No significant amounts of gains or losses were reclassified from AOCI into earnings as a result of forecasted transactions that failed to occur during the year ended December 31, 2011 and 2010.

The following tables set forth the fair value of the foreign currency exchange contracts and their location on the consolidated financial statements:

Derivatives designated as hedging instruments:

	December 31, 2011	December 31, 2010
Other current assets:		
Foreign currency exchange contracts	\$ —	\$ 3,171
Other assets:		
Foreign currency exchange contracts	\$ —	\$ 1,029
Accrued expenses and other current liabilities:		
Foreign currency exchange contracts	\$ 9,170	\$ —
Other noncurrent liabilities:		
Foreign currency exchange contracts	\$ 8,559	\$ —

Derivatives not designated as hedging instruments:

	December 31, 2011	December 31, 2010
Other current assets:		
Foreign currency exchange contracts	\$ 32	\$ 14

The following tables set forth the effect of foreign currency exchange contracts on the consolidated statements of income for the years ended December 31, 2011 and 2010:

	Amount of Gain/(Loss) Recognized in AOCI on Derivative (Effective Portion)		Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)		Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2011	2010		2011	2010		2011	2010
Derivatives in Cash Flow Hedging Relationships								
Foreign exchange contracts	\$ (20,329)	\$ 5,453	Foreign exchange gain	\$1,600	\$3,661	Foreign exchange gain	\$ —	\$ —

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<u>Derivatives not designated as Hedging Instruments</u>	<u>Location of Gain or (Loss) Recognized in Income on Derivatives</u>	<u>Amount of Gain/(Loss) Recognized in Income on Derivatives</u>	
		2011	2010
Foreign exchange contracts	Foreign exchange gain	\$ (5,482)	\$ 1,485

8. Fixed Assets

Fixed assets consist of the following:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Owned Assets:		
Network equipment, computers and software	\$ 55,499	\$ 50,282
Buildings	1,498	1,779
Land	980	1,164
Leasehold improvements	21,733	19,195
Office furniture and equipment	9,011	7,439
Motor vehicles	828	712
Capital work in progress	2,737	2,006
	<u>92,286</u>	<u>82,577</u>
Less: Accumulated depreciation and amortization	(54,736)	(48,455)
	<u>\$ 37,550</u>	<u>\$ 34,122</u>
Assets under capital leases:		
Network equipment, computers and software	\$ 474	\$ —
Leasehold improvements	2,541	—
Office furniture and equipment	1,645	—
Motor vehicles	882	879
	<u>5,542</u>	<u>879</u>
Less: Accumulated depreciation and amortization	(772)	(268)
	<u>\$ 4,770</u>	<u>\$ 611</u>
Fixed Assets, net	<u>\$ 42,320</u>	<u>\$ 34,733</u>

Depreciation and amortization expense excluding amortization of acquisition related intangibles for the year ended December 31, 2011, 2010 and 2009 was \$18,665, \$13,811 and \$11,238, respectively.

Capital work in progress represents advances paid towards acquisition of fixed assets and the cost of fixed assets not yet ready to be placed in service.

9. Capital Structure

Common Stock

The Company has one class of common stock outstanding.

On September 19, 2011, the Company completed a public offering of its common stock. The Company sold 1,000,000 shares of its common stock and certain selling stockholders sold an aggregate of 3,000,000 shares of common stock at a price of \$23.00 per share less underwriting discount. The Company received net proceeds of \$21,526 from the offering.

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During the year ended December 31, 2011, the Company acquired 61,299 shares of common stock for a total consideration of \$1,439 in pursuance of an option agreement between the Company and Prudential Financial, Inc. (Prudential) dated July 1, 2004. The purchase price of \$23.47 per share was the average closing price for the 30-day period on the Nasdaq Global Select Market preceding the date of exercise of options by Prudential. The shares acquired are held as treasury stock.

During the year ended December 31, 2011, the Company also acquired 9,596 shares of common stock from employees in connection with withholding tax payments related to the vesting of restricted stock for a total consideration of \$185. The weighted average purchase price of \$19.26 per share was the average of the high and low price of the Company's share of common stock on the Nasdaq Global Select Market on the trading day prior to the vesting date of the shares of restricted stock. The shares acquired are held as treasury stock.

During the year ended December 31, 2010, the Company acquired 5,472 shares of common stock from employees in connection with withholding tax payments related to the vesting of restricted stock for a total consideration of \$93. The purchase price of \$16.96 per share was the average of the high and low price of the Company's shares of common stock on the Nasdaq Global Select Market on the trading day prior to the vesting date of the shares of restricted stock. These shares are held as treasury stock.

10. Short Term Borrowings

On May 26, 2011, the Company entered into a credit agreement (the Credit Facility) with certain lenders and JPMorgan Chase Bank, N.A., as Administrative Agent. The Credit Facility is comprised of a \$50,000 revolving credit facility, including a letter of credit sub-facility, for a period of three years. The Company has an option to increase the commitments under the Credit Facility by up to an additional \$25,000, subject to certain approvals and conditions as set forth in the Credit Facility.

Borrowings under the Credit Facility may be used for working capital and general corporate purposes. The Company repaid all amounts outstanding under the Credit Facility during the year ended December 31, 2011 and, as of December 31, 2011, it did not have any borrowings under the Credit Facility. In connection with the financing, the Company incurred \$446 as debt issuance costs, which are deferred and amortized as an adjustment to interest expense over the term of the Credit Facility using the effective interest method.

The Credit Facility is guaranteed by the Company's domestic subsidiaries. The obligations under the Credit Facility are secured by all or substantially all of the assets of the borrower and its material domestic subsidiaries. The Credit Facility contains certain covenants including a restriction on indebtedness of the Company.

11. Employee Benefit Plans

The Company's Gratuity Plans in India and the Philippines provides a lump sum payment to vested employees on retirement or on termination of employment in an amount based on the respective employee's salary and years of employment with the Company. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation using the projected unit credit method. Current service costs for the Gratuity Plan are accrued in the year to which they relate. Actuarial gains or losses or prior service costs, if any, resulting from amendments to the plans are recognized and amortized over the remaining period of service of the employees.

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The benefit obligation has been measured as of December 31, 2011. The following table sets forth the activity and the funded status of the Gratuity Plan and the amounts recognized in the Company's consolidated financial statements at the end of the relevant periods:

	December 31,	
	2011	2010
Change in projected benefit obligation:		
Benefit obligation at the beginning of the year	\$2,883	\$1,804
Service cost	792	526
Interest cost	302	152
Benefits paid	(333)	(267)
Actuarial loss	351	156
Acquisitions	1,082	411
Effect of exchange rate changes	(648)	101
Projected benefit obligation at the end of the year	<u>\$4,429</u>	<u>\$2,883</u>
Unfunded amount—non-current	\$3,068	\$1,903
Unfunded amount—current	346	980
Total accrued liability	<u>\$3,414</u>	<u>\$2,883</u>
Accumulated benefit obligation	<u>\$3,316</u>	<u>\$2,208</u>

Net gratuity cost includes the following components:

	Year ended		
	December 31,		
	2011	2010	2009
Service cost	\$ 792	\$526	\$284
Interest cost	302	152	115
Expected return on plan assets	(24)	—	—
Actuarial loss	103	167	73
Net gratuity cost	<u>\$1,173</u>	<u>\$845</u>	<u>\$472</u>

The amount in accumulated other comprehensive loss that is expected to be recognized as a component of net periodic benefit cost over the next fiscal year is \$125. The components of accumulated other comprehensive income that has not been recognized as components of net gratuity cost in the statement of income as of December 31, 2011 is as follows:

	December 31,	
	2011	2010
Net actuarial loss	\$600	\$396
Net prior service cost	11	11
Accumulated other comprehensive loss, net of tax	<u>\$611</u>	<u>\$407</u>

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The weighted average actuarial assumptions used to determine benefit obligations and net periodic gratuity cost are:

	December 31,		
	2011	2010	2009
Discount rate	9.1%	8.7%	6.1%
Rate of increase in compensation levels	8.4%	8.0%	8.0%

The Company evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rates are based on current market yields on government securities adjusted for a suitable risk premium.

Expected benefit payments during the year ending December 31,	
2012	\$ 1,362
2013	\$ 1,218
2014	\$ 1,109
2015	\$ 1,039
2016	\$ 987
2017 to 2020	\$ 2,565

The Gratuity Plan is a funded plan that is managed and administered by Life Insurance Corporation (LIC) of India, a body corporate fully owned by Government of India, which calculates the annual contribution required to be made by the Company and manages the investment as well as payouts under the plan. Based on the plan investments allowed by the Government of India, LIC estimates the expected return on the fund assets to be approximately 8% in the year 2011. LIC manages the fund on a cash accumulation basis and declares interest retrospectively on March 31 of each year.

Change in Plan Assets

Plan assets at January 1, 2011	\$ —
Employer contribution	1,126
Expected return	24
Effect of exchange rate changes	(135)
Plan assets at December 31, 2011	<u>\$ 1,015</u>

The Company maintains the Exl Service Inc. 401(k) Plan, the Inductis 401(k) Profit Sharing Plan, OPI 401(k) retirement plan and the PDMA 401(k) Profit Sharing Plan, (the 401(k) Plans) under Section 401(k) of the Internal Revenue Code of 1986 covering all eligible employees, as defined. The Company may make discretionary contributions of up to a maximum of 3% of employee compensation within certain limits. The Company's contribution to the 401(k) Plans amounted to \$662, \$269 and \$251 during the years ended December 31, 2011, 2010 and 2009, respectively.

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During the years ended December 31, 2011, 2010 and 2009, the Company contributed the following amounts to various defined contribution plans on behalf of its employees in India, the Philippines, Bulgaria, Malaysia and the Czech Republic:

Year ended December 31, 2011	\$5,011
Year ended December 31, 2010	\$3,648
Year ended December 31, 2009	\$2,378

12. Leases

The Company finances its use of certain facilities, computer hardware, leasehold improvements, furniture, fixtures, office equipments and motor vehicles under various lease arrangements provided by financial institutions. Future minimum lease payments under these capital leases as of December 31, 2011 are as follows:

Year ending December 31,	
2012	\$2,227
2013	1,966
2014	1,465
2015	1,077
2016	363
Total minimum lease payments	7,098
Less: amount representing interest	1,125
Present value of minimum lease payments	5,973
Less: current portion	1,729
Long term capital lease obligation	<u>\$4,244</u>

The Company conducts its operations using facilities leased under non-cancelable operating lease agreements that expire at various dates. Future minimum lease payments under non-cancelable agreements expiring after more than twelve months are set forth below:

Year ending December 31,	
2012	\$ 9,188
2013	7,187
2014	6,359
2015	4,750
2016	1,988
2017 and thereafter	1,260
	<u>\$30,732</u>

The operating leases are subject to renewal periodically and have scheduled rent increases. The Company accounts for scheduled rent on a straight line basis over the lease period. Rent expense under both cancelable and non-cancelable operating leases was \$14,599, \$9,808 and \$5,854 for the years ended December 31, 2011, 2010 and 2009, respectively. Deferred rent as of December 31, 2011 and 2010 was \$3,815 and \$3,324, respectively, and are included in "Accrued expenses and other current liabilities" and "Non-current liabilities" in the consolidated balance sheets.

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13. Income Taxes

The components of income from continuing operations before income taxes consist of the following:

	Year ended December 31,		
	2011	2010	2009
Domestic	\$ 6,012	\$ 5,964	\$ 3,332
Foreign	40,636	26,125	16,163
	<u>\$46,648</u>	<u>\$32,089</u>	<u>\$19,495</u>

The income tax provision/(benefit) relating to continuing operations consists of the following:

	Year ended December 31,		
	2011	2010	2009
Current provision:			
Domestic	\$ 1,433	\$ 4,380	\$ 4,629
Foreign	12,140	3,492	7,474
	<u>\$13,573</u>	<u>\$ 7,872</u>	<u>\$12,103</u>
Deferred benefit:			
Domestic	\$ 1,999	\$(1,431)	\$(1,596)
Foreign	(3,704)	(944)	(6,804)
	<u>\$(1,705)</u>	<u>\$(2,375)</u>	<u>\$(8,400)</u>
Income tax provision	<u>\$11,868</u>	<u>\$ 5,497</u>	<u>\$ 3,703</u>

The effective income tax rate differs from the amount computed by applying the U.S. federal statutory income tax rate to income before income taxes approximately as follows:

	December 31,		
	2011	2010	2009
Expected tax provision	\$16,327	\$11,231	\$ 6,823
Change in valuation allowance	(1,702)	367	710
Impact of tax holiday	(3,234)	(2,573)	(2,346)
Foreign tax rate differential	(1,033)	(363)	(766)
Deferred tax benefit	(694)	(1,179)	(2,162)
Unrecognized tax benefits and interest	877	(2,848)	—
State taxes, net of Federal taxes	841	550	269
Non-deductible expenses	427	115	962
Other	59	197	213
Tax provision	<u>\$11,868</u>	<u>\$ 5,497</u>	<u>\$ 3,703</u>

The fiscal year under the Indian Income Tax Act ends on March 31. Certain of the Company's operations centers in India qualified for an exemption from corporate tax under Section 10A or 10B of the Indian Income Tax Act. This exemption was available for a period of ten consecutive years beginning with the financial year in which the operations center began to manufacture or produce eligible goods and services and expired on April 1,

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2011. As a result of the expiry of the tax holiday period, the tax holiday period for those of the Company's operations centers in India that had not expired on April 1, 2010 expired on April 1, 2011. Therefore, profits generated from the services provided from such operations centers have become fully taxable and consequently, the Company's tax expense increased significantly in and may continue to be higher after 2011.

The Company currently benefits from a four-year income tax holiday for one of its operations centers in the Philippines that will expire in the middle of 2012 but is extendable for an additional two years. The Company's new operations center in the Philippines, inaugurated in January 2012, will also benefit from a four-year income tax holiday that is extendable for an additional two years. While the Company intends to apply for extensions of these holidays when they expire, it is possible that such extensions could be denied, or these holidays could be removed entirely due to changes in the government of the Philippines. Should either of these events occur, the Company's Philippine tax liability could increase.

The Company's operations centers in Jaipur and Noida, which were established in SEZs in 2010, are eligible for tax incentives until 2020. As part of the OPI Acquisition, the Company also acquired operations centers in Bengaluru and Kochi, India that are also established in SEZs. The operations center in Bengaluru will complete its first five years of operations on March 31, 2012. Under the tax regulations, the Bengaluru operations center will be entitled to a 50% tax exemption on profits from April 1, 2012, after which there will be an increase in the tax expense for such center. The Company anticipates establishing additional operations centers in SEZs in the future.

The diluted earnings per share effect of the tax holiday is \$0.10, \$0.08 and \$0.08 for the years ended December 31, 2011, 2010 and 2009, respectively.

The components of the deferred tax balances as of December 31, 2011 and 2010 are as follows:

	December 31,	
	2011	2010
Deferred tax assets:		
Tax credit carry forward	\$ 2,793	\$ 4,157
Depreciation and amortization	5,060	5,445
Share-based compensation	4,787	5,844
Accrued employee costs and other expenses	3,412	3,007
Net operating loss carry forwards	7,947	665
Unrealized exchange loss on cash flow hedges	5,612	717
Deferred rent	212	268
Allowance for doubtful debts	48	100
Others	851	22
	<u>\$30,722</u>	<u>\$20,225</u>
Valuation allowance	(919)	(2,621)
Deferred tax assets	<u>\$29,803</u>	<u>\$17,604</u>
Deferred tax liabilities:		
Intangible assets	\$ 7,080	\$ 376
Unrealized exchange gain on cash flow hedges	—	1,174
Deferred tax liabilities	<u>\$ 7,080</u>	<u>\$ 1,550</u>
Net deferred tax assets	<u>\$22,723</u>	<u>\$16,054</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective tax bases and operating loss carry forwards. At December 31, 2011 and 2010, the Company performed an analysis of the realizability of its deferred tax assets and determined that a portion of such deferred tax assets were not more likely than not to be realizable. Accordingly, the Company has recorded a valuation allowance as of December 31, 2011 and 2010 of \$919 and \$2,621, respectively.

As a result of the OPI Acquisition, the Company also acquired OPI's federal and state net operating losses. Thus, as of December 31, 2011, the Company has federal net operating loss carry forwards of approximately \$22,937, expiring in years through 2027. The Company's federal net operating loss carry forwards are subject to certain annual utilization limitations under Section 382 of the Internal Revenue Code. The Company also has state and local net operating loss carry forwards of varying amounts, which also are subject to limitations under the applicable rules and regulations of those taxing jurisdictions. The Company estimates that it will be able to utilize all of the losses before their expiry.

During the year ended December 31, 2011, the Company released a valuation allowance on deferred tax assets of \$1,961 related to the Company's assessment that the deferred tax assets generated by certain of the Company's operating units in India that were under a tax holiday period were more likely than not to be realized upon the expiration of the tax holiday period on April 1, 2011.

During 2007, the Indian government passed tax legislation that, among other items, subjects Indian taxpayers to a Minimum Alternative Tax (MAT). As of December 31, 2011 and 2010, income tax credits related to the MAT were approximately \$2,793 and \$4,157, respectively.

At December 31, 2011 and 2010, no deferred income taxes have been provided for the Company's share of undistributed net earnings of foreign operations due to management's intent to reinvest such amounts indefinitely. The determination of the amount of such unrecognized deferred taxes is not practical. Those earnings totaled approximately \$125,226 and \$93,026 as of December 31, 2011 and 2010, respectively.

The Company's provision for income taxes also includes the impact of provisions established for uncertain income tax positions determined in accordance with ASC No. 740 as well as the related net interest. Tax exposures can involve complex issues and may require extended periods to resolve. Although the Company believes that it has adequately reserved for its uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. The Company adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters differs from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

The following summarizes the activity related to the gross unrecognized tax benefits from January 1, 2011 through December 31, 2011:

Balance as of January 1, 2011	\$4,136
Increases related to prior year tax positions	1,000
Decreases related to prior year tax positions	—
Increases related to current year tax positions	945
Decreases related to current year tax positions	—
Effect of exchange rate changes	(757)
Balance as of December 31, 2011	<u>\$5,324</u>

EXLSERVICE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The unrecognized tax benefits as of December 31, 2011 of \$5,324, if recognized, would impact the effective tax rate.

The Company has recognized interest and penalties of \$657 during the year ended December 31, 2011, which is included in the income tax provision in the consolidated statements of income. The unrecognized tax benefits may increase or decrease in the next twelve months depending on the Company's tax positions.

14. Stock Based Compensation

In 2006, the Company instituted the ExlService Holdings, Inc. 2006 Omnibus Award Plan (the 2006 Plan) which replaced the 2003 Plan. The 2006 Plan covers all of the employees of the Company. Under the 2006 Plan, the Committee may grant awards of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing.

The Committee determines which employees are eligible to receive the equity awards, the number of equity awards to be granted, the exercise price, the vesting period and the exercise period. The vesting period for the equity award issued is determined on the date of the grant and is non-transferable during the life of the equity award. The options expire ten years from the date of grant and generally vest incrementally over a period of four years from the date of grant with 10% vesting at the end of year one, 20% vesting at the end of year two, 30% vesting at the end of year three and 40% vesting at the end of year four. Pursuant to the 2006 Plan, the Company reserved 3,399,384 shares of common stock (in addition to the available pool of 329,854 shares from the 2003 plan) for the granting of equity awards. If an employee resigns or is terminated, the employee must exercise any vested options within 90 days after termination or the vested options are forfeited. At a special meeting of the Company's stockholders held on January 29, 2009, the Company's stockholders approved, among other things, an amendment to the 2006 Plan to increase the number of shares of its common stock issuable there under by 4,000,000 shares, which brought the total number of shares reserved under the plan to 7,729,238.

Effective January 1, 2006, the Company adopted guidance under ASC No. 718, using the modified prospective method of transition. Under the provisions of this guidance, the estimated fair value of share-based awards granted under stock incentive plans is recognized as compensation expense over the vesting period. Using the modified prospective method, compensation expense is recognized beginning with the effective date of adoption of this guidance for all share based payments (i) granted after the effective date of adoption and (ii) granted prior to the effective date of adoption and that remain unvested on the date of adoption.

The following costs related to the Company's stock-based compensation plan are included in the consolidated statement of income:

	Year ended December 31,		
	2011	2010	2009
Cost of revenue	\$ 1,635	\$ 1,593	\$ 1,405
General and administrative expenses	4,589	3,838	3,456
Selling and marketing expenses	3,238	3,060	2,232
Total	<u>\$9,462</u>	<u>\$8,491</u>	<u>\$7,093</u>

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The fair value of each stock option granted to employees is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Dividend yield	0%	0%	0%
Expected life (years)	5.58	4.65	4.56
Risk free interest rate	2.16%	1.84%	1.73%
Volatility	40%	44%	50%

The estimated expected term of options granted has been based on historical experience since October 2006, which is representative of the expected term of the options. Volatility has been calculated based on the volatility of the Company's common stock and the volatility of stocks of comparative companies. The risk-free interest rate that the Company uses in the option valuation model is based on U.S. treasury zero-coupon bonds with a remaining term similar to the expected term of the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Stock option activity under the Company's stock plans is shown below:

	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>	<u>Weighted- Average Remaining Contractual Life (Years)</u>
Outstanding at December 31, 2008	1,788,751	\$ 14.67		
Granted	1,658,889	8.92		
Exercised	(66,204)	12.08		
Forfeited	(193,370)	18.13		
Outstanding at December 31, 2009	3,188,066	\$ 11.52		
Granted	326,319	18.03		
Exercised	(278,118)	10.88		
Forfeited	(160,650)	13.51		
Outstanding at December 31, 2010	3,075,617	\$ 12.17		
Granted	360,867	20.41		
Exercised*	(342,166)	11.97		
Forfeited	(64,190)	10.06		
Outstanding at December 31, 2011	<u>3,030,128</u>	<u>\$ 13.22</u>	<u>\$ 28,318</u>	<u>6.79</u>
Vested and exercisable at December 31, 2011	<u>1,476,133</u>	<u>\$ 13.10</u>	<u>\$ 13,967</u>	<u>5.94</u>
Available for grant at December 31, 2011	<u>2,729,370</u>			

* Excludes 230,200 options exercised by Prudential, which was related to an option agreement between the Company and Prudential dated July 1, 2004.

EXLSERVICE HOLDINGS, INC.
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The unrecognized compensation cost for unvested options as of December 31, 2011, is \$5,587, which is expected to be expensed over a weighted average period of 2.29 years. The weighted-average fair value of options granted during the years ended December 31, 2011, 2010 and 2009 was \$8.16, \$7.10 and \$3.52, respectively. The total grant date fair value of options vested during the years ended December 31, 2011, 2010 and 2009 was \$3,099, \$3,481 and \$3,147, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was \$4,180, \$2,416 and \$290, respectively.

The following table summarizes the status of the Company's stock options outstanding and stock options vested and exercisable at December 31, 2011:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>		<u>Options Vested and Exercisable</u>	
	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
\$0.12 to \$0.17	17,726	\$ 0.12	17,726	\$ 0.12
\$8.00 to \$15.00	1,852,516	9.75	970,076	10.49
\$15.01 to \$24.00	1,133,386	18.82	488,331	18.74
\$24.01 to \$36.15	26,500	24.81	—	—
Total	3,030,128	\$ 13.22	1,476,133	\$ 13.10

Subsequent to December 31, 2011, the Company has granted 288,129 stock options and 334,050 restricted stock units to its employees and directors.

Restricted Stock and Restricted Stock Units

An award of restricted stock is a grant of shares subject to conditions and restrictions set by the Committee. The grant or the vesting of an award of restricted stock may be conditioned upon service to the Company or its affiliates or upon the attainment of performance goals or other factors, as determined in the discretion of the Committee. The Committee may also, in its discretion, provide for the lapse of restrictions imposed upon an award of restricted stock. Holders of an award of restricted stock may have, with respect to the restricted stock granted, all of the rights of a stockholder, including the right to vote and to receive dividends.

The Committee is authorized to award restricted stock units to participants. The Committee establishes the terms, conditions and restrictions applicable to each award of restricted stock units, including the time or times at which restricted stock units will be granted or vested and the number of units to be covered by each award. The terms and conditions of each restricted stock award will be reflected in a restricted stock unit agreement.

Any cash or in-kind dividends paid with respect to unvested shares of restricted stock and restricted stock units are withheld by the Company and paid to the holder of such shares of restricted stock, without interest, only if and when such shares of restricted stock and restricted stock units vest. Any unvested shares of restricted stock and restricted stock units are immediately forfeited without consideration upon the termination of holder's employment with the Company or its affiliates. Accordingly, the Company's unvested restricted stock and restricted stock units do not include non-forfeitable rights to dividends or dividend equivalents and are therefore not considered as participating securities for purposes of earnings per share calculations pursuant to the two-class method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Restricted stock and restricted stock unit activity under the Company's stock plans is shown below:

	<u>Restricted Stock</u>		<u>Restricted Stock Units</u>	
	<u>Number</u>	<u>Weighted-Average Intrinsic Value</u>	<u>Number</u>	<u>Weighted-Average Intrinsic Value</u>
Outstanding at December 31, 2008	578,246	20.13	24,000	10.26
Granted	12,000	17.72	28,000	14.04
Vested	(157,754)	16.44	(24,000)	10.26
Forfeited	(52,682)	18.74	—	—
Outstanding at December 31, 2009	379,810	\$ 21.78	28,000	\$ 14.04
Granted	—	—	643,819	18.14
Vested	(134,242)	19.25	(28,000)	14.04
Forfeited	(9,683)	15.66	(19,004)	18.42
Outstanding at December 31, 2010	235,885	\$ 23.47	624,815	\$ 18.13
Granted	—	—	460,972	20.84
Vested	(152,962)	19.02	(108,670)	18.39
Forfeited	(19,089)	19.70	(37,458)	18.89
Outstanding at December 31, 2011*	<u>63,834</u>	<u>\$ 18.41</u>	<u>939,659</u>	<u>\$ 19.40</u>

* Excludes 24,000 restricted stock units vested during the year ended December 31, 2011 (120,000 as of December 31, 2011) for which the underlying common stock is yet to be issued.

The fair value of restricted stock and restricted stock units is generally the market price of the Company's shares on the date of grant. As of December 31, 2011, unrecognized compensation cost of \$14,905 is expected to be expensed over a weighted average period of 2.53 years. The weighted-average fair value of restricted stock and restricted stock units under the 2006 Plan granted during the years ended December 31, 2011, 2010 and 2009 was \$20.84, \$18.14 and \$15.14, respectively. The total grant date fair value of restricted stock and restricted stock units vested during the years ended December 31, 2011, 2010 and 2009 was \$5,456, \$2,913 and \$2,851, respectively.

Advisory Board Options

During the year ended December 31, 2011, 2010 and 2009, the Company recorded compensation expense of \$21, \$58 and \$80, respectively, related to stock options granted to members of the Company's advisory board. The fair value and related compensation expense will be calculated for the unvested portion of these options at the end of each reporting period until such options are fully vested.

15. Related Party Transactions

The Company provides services to Oak Hill Capital Partners, one of the Company's significant stockholders. The Company recognized revenue of approximately \$65, \$82 and \$32 during the years ended December 31, 2011, 2010 and 2009, respectively, for fees and expense reimbursements from Oak Hill Capital Partners. At December 31, 2011 and December 31, 2010, the Company had an account receivable of \$3 and \$9, respectively, related to these services.

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16. Geographical Information

	Year ended December 31,		
	2011	2010	2009
Revenues			
United States	\$258,807	\$182,043	\$121,907
United Kingdom	79,419	61,436	64,697
Rest of World	22,315	9,274	4,391
	<u>\$360,541</u>	<u>\$252,753</u>	<u>\$190,995</u>
		December 31,	December 31,
		2011	2010
Fixed assets, net			
India	\$ 35,787		\$ 30,447
United States		1,408	1,143
Philippines		3,946	2,049
Rest of World		1,179	1,094
	<u>\$ 42,320</u>		<u>\$ 34,733</u>

17. Commitments and Contingencies**Fixed Asset Commitments**

At December 31, 2011, the Company has committed to spend approximately \$4,564 under agreements to purchase fixed assets. This amount is net of capital advances paid in respect of these purchases.

Other Commitments

Certain of the Company's delivery centers in India had been established as 100% Export-Oriented units under the Export Import Policy (the Policy) or Software Technology Parks of India units (STPI) under the STPI guidelines issued by the Government of India that provided the Company with certain incentives on imported and indigenous capital goods. Under the Policy, these units were required to achieve certain export ratios and realize revenues attributable to exports over a specified period. In the event that these units are unable to meet the requirements over the specified period, the Company may be required to refund these incentives along with penalties and fines. However, management believes that these units will continue to achieve the export levels within the required timeframe as they have consistently generated the required levels of export revenues.

ExlService Philippines, Inc. (Exl Philippines) is registered as an Ecozone IT Enterprise with the Philippines Economic Zone Authority. The registration provides the Company with certain incentives on the import of capital goods and requires that Exl Philippines meet certain export obligations. The Company currently benefits from a four-year income tax holiday for one of its operations centers in the Philippines that will expire in the middle of 2012 but is extendable for an additional two years. The Company's new operations center in the Philippines, inaugurated in January 2012, will also benefit from a four-year income tax holiday that is extendable for an additional two years.

EXLSERVICE HOLDINGS, INC.
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Contingencies

U.S. and Indian transfer pricing regulations require that any international transaction involving associated enterprises be at an arm's-length price. Transactions among the Company's subsidiaries and the Company may be required to satisfy such requirements. Accordingly, the Company determines the pricing among its associated enterprises on the basis of a detailed functional and economic analysis involving benchmarking against transactions among entities that are not under common control. The tax authorities have jurisdiction to review this arrangement and in the event that they determine that the transfer price applied was not appropriate, the Company may incur increased tax liability, including accrued interest and penalties. The Company is currently involved in disputes with the Indian tax authorities over the application of some of its transfer pricing policies. The Company has received the following assessment orders from the Indian tax authorities with respect to their audit of certain of the Company's subsidiaries. The Indian tax authorities are examining income tax returns for other tax years.

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The details of the assessment orders as of December 31, 2011 are as below:

Entity	Tax Year	Issue	Amount Demanded (Including Interest)	Amount Deposited (Including additional Interest)	Bank Guarantee Issued (Including additional Interest)
Exl India	2003-04	The assessment order alleges that the transfer price we applied to transactions between EXL India and EXL Inc. for the 2003-04 tax year was not appropriate and also disallows certain expenses claimed as tax deductible by EXL India.	\$ 1,830	\$ 1,830	\$ —
Exl India	2004-05	The assessment order alleges that the transfer price we applied to transactions between EXL India and EXL Inc. for the 2004-05 tax year was not appropriate and also disallows certain expenses claimed as tax deductible by EXL India.	1,774	1,774	—
Exl India	2005-06	The assessment order alleges that the transfer price we applied to transactions between EXL India and EXL Inc. for the 2005-06 tax year was not appropriate and also disallows certain expenses claimed as tax deductible by EXL India.	3,423	3,423	—
Exl India	2006-07	The assessment order alleges that the transfer price we applied to transactions between EXL India and EXL Inc. for the 2006-07 tax year was not appropriate and also disallows certain expenses claimed as tax deductible by EXL India.	3,406	2,724	—
Exl India	2007-08	The assessment order alleges that the transfer price we applied to transactions between EXL India and EXL Inc. for the 2007-08 tax year was not appropriate and also disallows certain expenses claimed as tax deductible by EXL India.	3,944	—	—
Exl Inc.	2003-04	The assessment order alleges that EXL Inc. has a permanent establishment in India.	2,761	1,318	2,060
Exl Inc.	2004-05	The assessment order alleges that EXL Inc. has a permanent establishment in India.	89	38	49
Exl Inc.	2005-06	The assessment order alleges that EXL Inc. has a permanent establishment in India.	655	339	385
Exl Inc.	2006-07	The assessment order alleges that EXL Inc. has a permanent establishment in India.	1,125	—	—
BPO India	2004-05	The assessment order alleges the transfer price we applied to transactions between OPI India and OPI Inc. for the 2004-05 tax year was not appropriate and proposes certain adjustments to the methodology for computing the amount of the tax exemption.	135	135	—
BPO India	2007-08	The assessment order proposes certain adjustments to the methodology for computing the amount of the tax exemption.	86	81	—
			<u>\$ 19,228</u>	<u>\$ 11,662</u>	<u>\$ 2,494</u>

Based on advice from its Indian tax advisors, the facts underlying its position and its experience with these types of assessments, the Company believes that the probability of loss is remote and accordingly has not accrued any amount with respect to these matters in its consolidated financial statements. The Company does not expect

EXLSERVICE HOLDINGS, INC.
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any impact from these assessments on its future income tax expense. The Company is subject to U.S. income taxes on the profits it recognizes in the U.S. The Company has deposited the entire amount demanded by the Indian tax authorities with respect to the assessment orders received by Exl India, Exl Service.com, Inc. (Exl Inc.) and by Business Process Outsourcing (India) Pvt. Ltd (BPO India) with the exception of the assessment orders disclosed above. There is a likelihood that the Company might receive similar orders for subsequent years until the above disputes are resolved.

Amounts paid as deposits in respect of the assessments described above aggregating to \$11,662 and \$11,898 as of December 31, 2011 and 2010, respectively, are included in "Other assets" and amounts deposited for bank guarantees aggregating to \$2,494 and \$2,963 as of December 31, 2011 and 2010, respectively, are included in "Restricted cash" in the Company's consolidated balance sheet as of December 31, 2011 and 2010.

DATED FEBRUARY 29, 2012

- (1) CENTRICA PLC (for and on behalf of its Group Companies)
- (2) EXLSERVICE HOLDINGS, INC.
- (3) EXL SERVICE.COM (INDIA) PRIVATE LIMITED

**FRAMEWORK AGREEMENT FOR
THE PROVISION OF SERVICES**

AGREEMENT REFERENCE:
CEN/MAS/2012/20170

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* Confidential treatment has been requested with respect to portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

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BY AND AMONG

- (1) Centrica plc (registered as a public limited company in England under number 3033654) whose registered office is at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD (“**Client**”) (for and on behalf of Client Group);
- (2) ExlService Holdings, Inc., a Delaware corporation with its principal office at 280 Park Avenue, 38th Floor, New York, NY 10017, USA (“**EXL US**”); and
- (3) exl Service.com (India) Private Limited, an Indian private limited company with its principal office at 48 Sector 58, Noida, UP 201 301, India (“**EXL India**”).

BACKGROUND

- (A) WHEREAS, Client, EXL US and EXL India have previously entered into a Framework Agreement for the Provision of Services with the agreement reference CEN/2005/9464/BU (the “**Original Agreement**”) pursuant to which Client received and the Contractor delivered certain services, which services were set forth in work contracts to the Agreement entered into from time to time;
- (B) The Original Agreement and all work contracts thereunder are to be terminated immediately prior to this Agreement taking effect. This Agreement amends and updates the terms contained in the Original Agreement to reflect (1) the various individual amendments to the Original Agreement that have been entered into from time to time and (2) new commercial terms agreed to by the parties;
- (C) WHEREAS, from the Effective Date this Agreement supersedes the Original Agreement in respect of matters arising on and after the Effective Date;
- (D) Work Contracts will take effect from 00:01 on the Effective Date in accordance with the terms of this Agreement; and
- (E) NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein, the receipt, sufficiency and adequacy of which are hereby acknowledged, the Parties, intending to be legally bound, hereby contract as set forth herein.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the following expressions shall have the following meanings unless the context otherwise requires:

“Acceptance”	acceptance for each Testable Output, which shall occur on the day on which an Acceptance Certificate has been issued for such Testable Output
“Acceptance Certificate”	a confirmation (which can be in electronic format) to be issued by Client in relation to a Testable Output when the Acceptance Test(s) has been completed, and all the relevant Acceptance Criteria met or waived, for that Testable Output
“Acceptance Criteria”	the criteria to be used to assess each Testable Output, as set out in Annex 1 of each Work Contract
“Acceptance Tests”	such tests to be carried out by Client in respect of the Testable Outputs as are set out in the Transition Plan contained in Annex 1 of each Work Contract
“Affiliate”	any Subsidiary or Holding Company of a company and any Subsidiary of any such Holding Company. “Subsidiary” and “Holding Company” shall each have the meaning set out in section 1159 of the Companies Act 2006
“Agreed Documents”	(a) those documents relating to this Agreement, and to Work Contracts generally, contained in the separate bundle entitled “Agreed Documents Relating to the Framework Agreement for the provision of Services”, such bundle comprising the documents and

items listed in **Schedule 17** and being signed or initialled by an authorised representative of each party and dated the same date as this Agreement, as may be varied from time to time by invoking the Change Control Procedure; and

- (b) those documents relating to specific Work Contracts contained in a separate bundle entitled “Agreed Documents relating to Work Contract Reference:”, such bundle being signed by an authorised representative of each party and which is dated with the same date as the relevant Work Contract, as may be varied from time to time, by invoking the Change Control Procedure

“Annex”

an annexure to a Work Contract

“Anticipated Services”

back office processes associated with customer transfers (including meter reading disputes), billing, metering, customer payment processing, Homemove and account maintenance, and electricity pre-payment

“Assets”

any item of equipment, infrastructure, network, hardware and software, premises and furniture which the Contractor uses to perform the Services

“Authorised Representative”

the relevant individual having responsibility for the matter in question for each of Client and the Contractor as detailed in **paragraph 7 of Schedule 6**

“Average Price”

means in relation to the Comparable Services provided by the Comparison Group, the mean average of prices for those Comparable Services (as adjusted by using Equivalent Services Data) over the previous twelve (12) month period. For

	the avoidance of doubt, the “mean average price” shall be calculated by aggregating the prices derived from Equivalent Services Data for each of the services and dividing the same by the number of instances of Comparable Service
“BCP”	the business continuity plan designed to ensure the Contractor is able to continue to provide the Services in the event of certain specified disruptive incidents, based on the BCP principles being set out in Schedule 8
“Business Day”	a day (other than a Saturday or Sunday) on which commercial banks are open for deposit taking in London
“Change Control Procedure”	the procedure set out in Schedule 4
“Change Notices”	those notices issued pursuant to the Change Control Procedure
“Charges”	the Implementation Charges and the Service Charges
[REDACTED]*	[REDACTED]*
“Client Data”	any data, documents, text, drawings, diagrams, images or sounds (together with any database made up of any of these), embodied in any medium, that are supplied to the Contractor by or on behalf of Client, or Client’s customers, or which the Contractor is required to generate, process, store or transmit pursuant to this Agreement; provided that Client Data shall not include Contractor Confidential Information
“Client Group”	any company which on the date of this Agreement or during the term of the Agreement is, in relation to Client, its Affiliate

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

“Client Materials”

the software, hardware and other materials which are to be provided by Client to the Contractor pursuant to this Agreement, together with any other software, hardware and other materials which are provided or made available by Client and/or its sub-contractors to the Contractor for the purposes of this Agreement

“Comparable Services”

means services that are identical or substantially similar to the benchmarked Services (including in terms of scope, specification, volume and required quality of performance

“Comparison Group”

means a sample group of no less than four organisations providing Comparable Services identified by Client consisting of organisations located in the primary country from which such Services are delivered which are either of similar size to the Contractor or which are similarly structured in terms of their business and their service offering in the business process outsourcing industry so as to be fair comparators with the Contractor

“Confidential Information”

will mean and include:

- (a) any information of a confidential nature, including documents, letters, plans, diagrams, sketches, drawings, photographs, models, specifications, software, programs, data and any other material bearing or incorporating any information relating to the disclosing party and/or its know-how, business, affairs, customers, contractors and/or assets disclosed to the receiving party, whether in writing, orally or by any other means, by the disclosing party or any third party acting on its behalf, whether before, after or on the Effective

Date including for the avoidance of doubt the information contained in the CD containing the Contractor's pricing model and formulae included in the Agreed Documents;

- (b) in respect of Client only, analyses, compilations, studies, notes and other documents prepared by the Contractor which contain or otherwise reflect or are generated from any such information specified in **paragraph (a)** above; and
- (c) information of a confidential nature obtained by observation during visits to premises, but will exclude any part of such information which (and which can be shown by documentary evidence):
 - (i) is or becomes available in the public domain without breach of this Agreement;
 - (ii) a party can prove is lawfully in its possession free of any restriction as to its use or disclosure before the date of the disclosure;
 - (iii) is or was received by the Client on the one hand and EXL US and/or EXL India on the other from any third party not acting on behalf of the other of them where such third party has the right to disclose such information; or
 - (iv) subject to clauses 36.2 and 36.3, Authorised Representatives of the parties have agreed in writing may be disclosed

“Continuation Period”	a period following the date of termination of a Work Contract during which Client may elect to continue to receive certain Services, as more specifically described in clause 33.7
“Contractor”	each and/or both (as appropriate) of EXL US and EXL India and any Affiliate thereof as agreed in writing by the parties from time to time
[REDACTED]*	[REDACTED]*
“Contractor Covenant” or “Contractor Covenants”	each (and all, as appropriate) of the covenants contained in Schedule 13
“Contractor Software”	Software owned or licensed by the Contractor or its Affiliates (excluding the Client Materials)
“Contract Period”	in relation to a Work Contract, the period from the Contract Term Start Date until the date of termination of such Work Contract, in accordance with the terms of this Agreement or such Work Contract
“Contract Term Start Date”	the date upon which a Work Contract comes into force, such date being specified in each Work Contract
“Contract Year”	the period of 12 months commencing on the Effective Date and thereafter each consecutive period of 12 months, and in the final Contract Year the period between the last anniversary of the Effective Date and the date of expiry or termination of this Agreement
“Control”	shall have the meaning set out in section 416 of the Income and Corporation Taxes Act 1988
“CR Policy”	means the Company’s Procurement and Corporate Responsibility Policy for Suppliers contained in Schedule 22

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“Customer Data”	will include name, address (previous, new and existing with dates that the customer lived/has lived at such addresses), telephone numbers, customer account numbers (previous, new and existing), details of usage of items supplied by Client (current and historic), payment details (bank or building society details) and any other details which Client or its customers have provided to Contractor in accordance with this Agreement
“Data Protection Agreement”	the data protection agreement signed by the parties, substantially in the form set out in Schedule 21
“Data Subject”	shall have the meaning given to such term in the Data Protection Act 1998
“Defects Notice”	a notice given under clause 7.6 using the pro forma set out in Schedule 10
“Deliverable”	a defined output specified in the Transition Plan in Annex 1 of each Work Contract, necessary in order for the Contractor to deliver the Transition Plan in accordance with its terms
“Dependency” or “Dependencies”	any or all of the specific actions to be taken by Client as are set out in this Agreement or the relevant Work Contract
“Direct Costs”	has the meaning given to such term in clause 22.2
“Dispute Resolution Procedure”	the procedure for the resolution of disputes contained in clause 31
“Effective Date”	00:00:01 on 1 April 2012
“Emoluments”	all and any wages, salaries, bonuses, commissions, PAYE, national insurance contributions and other periodic outgoings (including pensions contributions) (or equivalent

payment obligations in a jurisdiction other than England) attributable to the employment of any employees

“Employment Liabilities”

compensation, awards, losses, costs, claims, fines, penalties, damages, expenses (including legal and other professional expenses) or liabilities relating to the employment/termination of employment

“Equivalent Services Data”

means data derived from an analysis of the Comparable Services provided by the Comparison Group that has been adjusted in accordance with the following factors: (i) the contractual and business environment under which the Services are being provided (including the scope, scale, complexity and geographical spread of the Services); (ii) any front-end investment and development costs of the Contractor; (iii) the Contractor’s risk profile including the financial (including foreign exchange allocation and relevant rates), performance or liability risks associated with the provision of the Services as a whole; (iv) the extent of the Contractor’s management and contract governance responsibilities; (v) the provision of Comparable Services by the Comparison Group for at least twenty-four (24) months; (vi) the compensation and experience of tenured professionals (commensurate with those engaged under this Agreement) providing Services to Client on behalf of the Contractor; and (vii) any other factors reasonably identified by the Contractor, which, if not taken into consideration, could unfairly cause the Contractor’s pricing to appear non-competitive

“Exit Plan”	an exit plan based on the principles contained in Schedule 9
“Failure”	a failure of the Contractor Covenants, as described in paragraph 3.2 of Schedule 13
“FOIA”	the Freedom of Information Act 2000
“Force Majeure”	has the meaning given to it in clause 29.4
“Good Industry Practice”	using standards, practices, methods and procedures which comply with all applicable Regulations and utilising that degree of skill and care, which would reasonably and ordinarily be expected from a skilled and experienced person engaged in a similar type of undertaking
“Grouped Work Contract”	a Work Contract that is stated to be grouped with one or more other Work Contracts for certain purposes, as set out in such Work Contract, which may include grouping for the purpose of transition, volume forecasting
“Hardware”	any and all computer, telecommunication and network equipment, cabling and any physical asset which relies in any respect on computer hardware or other information technology (whether embedded or not) used in the provision of the Services
“Implementation”	the process of transferring the provision of the Services (or some of them) from Client to the Contractor
“Implementation Charges”	the charges payable by Client to the Contractor for the Contractor’s provision of the Implementation Services, as contained in each Transition Plan in Annex 1 of each Work Contract

“Implementation Period”	the period between the Contract Term Start Date specified in a Work Contract and Acceptance of the final element of Implementation for the Services the subject of such Work Contract
“Implementation Services”	the services to be provided as part of a Transition Plan as set out in Annex 1 of each Work Contract
“Indian Regulations”	all laws and legislation of India applicable to the Services and/or the output from the Services
“Initial Term”	the minimum term specified in each Work Contract
“Inscope Change”	has the meaning given to it in Schedule 4
“Intellectual Property Rights”	patents, trade marks, design rights (whether registrable or otherwise), applications for any of the foregoing, copyrights, database rights, know-how, trade or business names, and other similar rights or obligations whether registrable or not in England and/or India
“Key Milestone”	a key stage in Implementation (whether a Deliverable or an element of the Implementation Services), each Key Milestone being an indicator of whether the Contractor is reaching the required levels of progress within the timescales set out in the Transition Plan contained in Annex 1 of each Work Contract and collectively indicating the likelihood of the Contractor being able to deliver the Transition Plan in accordance with its terms
“Key Staff”	the individuals to be appointed by the Contractor to the roles specified in Schedule 5 and Annex 8 of each Work Contract and any Staff appointed as Operations Manager or above. For the avoidance of doubt Key Staff does not include any Contractor “Business Leader”, Contractor’s General Manager UK/Europe, “Head of Analytics”, “Head of Transformations” or any

	Contractor employee senior to such positions (e.g. Contractor’s Chief Executive Officer), except to the extent such a person is specifically named in a Work Contract
“KPI”	the Service Levels described as key performance indicators in Annex 5 of each Work Contract
“Liquidated Damages”	liquidated damages payable by the Contractor to Client for failing to achieve Key Milestones during the Implementation Period, as specified for each Work Contract in accordance with the process in Schedule 2 and more precisely detailed in Annex 1 of each Work Contract
“Minimum Term”	the minimum term of this Agreement, being the period from the Effective Date until the date which is three years from the Service Commencement Date of the first Work Contract under which the Contractor is to supply Services to the Client
“Month”	a calendar month (and “Monthly” shall be construed accordingly)
“Outcome Based Pricing”	has the meaning given to it in Schedule 7
“Outscope Change”	has the meaning given to it in Schedule 4
“party”	any of Client, EXL US and EXL India
“parties”	the Client on the one hand and EXL US and EXL India on the other
“Permitted Contractor”	has the meaning given to it in clause 44.1
“Personal Data”	shall have the meaning given to such term in the Data Protection Act 1998
“Premises”	the site(s) from which the Contractor provides the Services to Client as specified in a Work Contract and any other site (or any part thereof) agreed from time to time by the parties in writing to have Services performed from it for Client

“Pre-Process training”	includes induction to the Contractor and Client, introduction to diversity training, the utilities industry in the UK and includes training on Data Protection Act and Disability Discrimination Act in addition to voice related services, comprehensive voice training including English fluency training
“Pricing Model”	the menu of prices and methodology for translating such menu of prices into individual Work Contracts, as is contained in Schedule 7
“Process Methodology”	the process and methodology to agree the specific terms of a Work Contract, set out in Schedule 2
“Process Training”	includes training on systems which are used to deliver the processes
“Project Materials”	any and all works of authorship, products and materials developed, written or prepared by the Contractor specifically for the purposes of this Agreement including the process and related documents produced by the Contractor in accordance with the baseline analysis agreement and all computer programs, reports, studies, data, diagrams and charts and all reports and other outputs generated by the Contractor as part of its obligations (excluding those prepared for internal use), save as otherwise agreed in writing by the parties
“Regulations”	UK Regulations and Indian Regulations
“Regulatory Authority”	all relevant governmental, statutory or regulatory bodies in England and/or India or any other competent authority or entity (including, in respect of UK Regulations, the Financial Services Authority and the Information Commissioner) as

the same may be replaced from time to time having responsibility for the regulation or governance of activities which include all or some of the Services or the use or application of the output from the Services

“Service Charges”	the charges payable by Client to the Contractor for the provision of the Services, as set out in Annex 6 of each Work Contract
“Service Commencement Date”	in respect of each Work Contract the date upon which the Contractor first starts to perform the Services associated with a Service Element under that Work Contract
“Service Credits”	service credits payable by the Contractor to Client in the circumstances and for the sums specified in Annex 5 of each Work Contract
“Service Element”	individual components of the Services, as are specified in Annex 2 of each Work Contract
“Service Level” and “Service Levels”	any of, or all of, the service levels set out in Schedule 3 and Annex 5 and Annex 7 of each Work Contract
“Services”	the services to be performed from time to time by the Contractor as identified in each Work Contract then in force
“Shared Resources”	Staff who are not dedicated to performance of the Services, being only those identified as such in Schedule 5 and Annex 8 of each Work Contract
“Software”	any and all computer programs and where appropriate licences to use the same, including all modules, routines and subroutines of such programs, used in the provision of the Services
“Staff”	those employees of the Contractor and employees of any Permitted Contractor (in each case whether full time, part time or temporary) delivering the Services from time to time

“Testable Output”	each output to be tested in relation to Deliverables and Implementation Services as expressly referred to as a ‘Testable Output’ in Annex 1 of a Work Contract
“Transition Plan”	the plan, including the Deliverables, Implementation Services and Key Milestones, contained in Annex 1 of a Work Contract (together with the terms and conditions relating to these), that governs the way in which the Contractor must prepare for and carry out the migration of the Services from Client to the Contractor
“Transition Project Plan”	the plan which sets out the process to manage the transition of the Services to the Contractor
[REDACTED]*	[REDACTED]*
“UK Regulations”	all laws and legislation of England applicable to the Services and/or the output from the Services (including, where applicable, the Data Protection Act 1998 and all rules, directions, regulations and recommendations issued by Regulatory Authorities which are applicable to the Services and in the case of recommendations treated as binding by Client)
“VAT”	value added tax imposed by the Value Added Tax Act 1994
“Warranty” and “Warranties”	any of, or all of, the warranties contained in clause 11

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

“Work Contract”	a work contract agreed and signed by Client and the Contractor in relation to Services based on either the pro forma set out in Schedule 15 or Schedule 19 , as appropriate. In the event that Schedule 19 applies the Work Contract shall not be construed in accordance with Schedule 2
“Work Contract Year”	in respect of each Work Contract, the period of 12 months commencing on the Service Commencement Date, thereafter each consecutive period of 12 months, and in the final Work Contract Year the period between the last anniversary of the Service Commencement Date and the date of expiry or termination of the Work Contract
“Year 2000 Compliant”	the definition of Year 2000 Compliant as set out in “Amplification of the Definition and Rules” in the British Standards Institution document DISC PD 2000-1:1998

- 1.2 **Schedules 1 to 22** of this Agreement form an integral part of this Agreement and references to this Agreement include the Schedules to this Agreement.
- 1.3 References in this Agreement to clauses or Schedules are to clauses of, or Schedules to, this Agreement. For the avoidance of doubt references in a Work Contract to Annexes shall be to the Annexes of that Work Contract.
- 1.4 A reference to this Agreement shall include all Work Contracts entered into pursuant to this Agreement in force from time to time.
- 1.5 The headings used in this Agreement are for convenience only and do not affect the construction or interpretation of this Agreement.
- 1.6 References to a statute or statutory provision include that provision as from time to time modified or re-enacted or consolidated whether before or after the date of this Agreement and any subordinate legislation made under it.
- 1.7 Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and reference to any gender shall include the other genders.

- 1.8 Words importing individuals or persons shall include companies, corporations, firms, unincorporated bodies of persons and partnerships.
- 1.9 The words “include”, “including”, “includes”, “in particular” or any similar expression are to be construed as if they were immediately followed by the words “without limitation”.
- 1.10 The obligations of EXL US and EXL India under this Agreement are joint and several. However, complete fulfilment by EXL India of obligations imposed on “the Contractor” under this Agreement will discharge EXL US of those same obligations and vice versa. Where any consent or agreement is required from the Contractor, EXL US and/or EXL India pursuant to this Agreement the consent or agreement (as appropriate) of their Authorised Representative (where appropriate) and otherwise either of EXL US or EXL India shall constitute the consent or agreement (as appropriate) of both of them. Where there is any requirement on Client to provide information, support or carry out activities in relation to the Contractor, and the Agreement is silent as to which entity or person such requirement shall be provided, the fulfilment of that requirement to one of EXL US and EXL India shall constitute fulfilment of that requirement as regards both of them without further enquiry being necessary by Client.
- 1.11 If there is any ambiguity between the terms of a Work Contract, the annexes to a Works Contract, **clauses 1 to 54** of this Agreement and the Schedules, the following order of priority shall prevail:
- 1.11.1 the Work Contract;
 - 1.11.2 the annexes to a Works Contract;
 - 1.11.3 **clauses 1 to 54** of this Agreement;
 - 1.11.4 the Schedules; and
 - 1.11.5 the Agreed Documents.

2. **TERMINATION OF ORIGINAL AGREEMENT**

- 2.1 With effect from 23:59:59 on 31 March 2012 (“the Original Termination Date”) the Original Agreement and all work contracts made under it shall terminate; provided that the consequences of the termination provisions (**clause 33**) of the Original Agreement shall not apply.

2.2 If a claim is brought that relates to an event arising prior to the Original Termination Date, such claim shall be managed in accordance and subject to the terms of the Original Agreement.

3. **TERM OF AGREEMENT AND OF INDIVIDUAL WORK CONTRACTS**

3.1 This Agreement shall commence on the Effective Date and, subject to **clauses 32** and **33.7**, shall continue until expiry of the Minimum Term.

3.1.1 No later than six months prior to the expiry of the Minimum Term, Client may notify the Contractor in writing that it wishes to extend the Agreement for a further period of 12 months from the date of expiry of the Minimum Term (such period being the “**First Extension Period**”), provided that such extension is subject to the parties mutual agreement to reasonable adjustments if any to the Charges to be applicable during the First Extension Period; provided further that any increase to the Charges shall be capped to a maximum increase of 3.5% from the then current Charges.

3.1.2 No later than six months prior to the expiry of the First Extension Period Client may notify the Contractor in writing that it wishes to extend the Agreement for a further period of 12 months from the date of expiry of the First Extension Period (such period being the “**Second Extension Period**”), provided that such extension is subject to the parties mutual agreement to reasonable adjustments to the Charges to be applicable during to be applicable during the Second Extension Period; provided further that any increase to the Charges shall be capped to a maximum increase of 3.5% from the then current Charges.

3.1.3 For the avoidance of doubt, extension of this Agreement pursuant to **clauses 3.1.1** and/or **3.1.2** shall extend the term of any Work Contract unless Client advises the Contractor otherwise in writing in relation to any Work Contract.

3.2 The expiry or termination of this Agreement shall have the following effect in relation to any Work Contract in force immediately prior to the expiry or termination of this Agreement:

3.2.1 Save where **clause 3.2.3** applies, if Client gives notice in writing to the Contractor prior to the date of expiry or termination of this Agreement (the

“**Termination Date**”) that it wishes any Work Contract that would otherwise then be in force to terminate on the Termination Date any such Work Contract shall terminate on the Termination Date contemporaneously with this Agreement.

3.2.2 Save where **clause 3.2.3** applies, if Client does not give any notice of the type envisaged in **clause 3.2.1** then this Agreement shall not terminate on the Termination Date but shall stay in full force and effect (other than providing for the entering into of any new Work Contract) until expiry or termination of the last Work Contract remaining in force following the Termination Date.

3.2.3 Where the Contractor terminates this Agreement either pursuant to **clause 32.4** or, pursuant to **clause 29.3.2** in circumstances where all the Services then being provided under this Agreement are terminated pursuant to that clause, the termination of this Agreement shall terminate any Work Contracts outstanding at the date of such termination.

3.3 Any Work Contract shall commence on the Contract Term Start Date and, subject to **clauses 3.1, 3.2 and 33.7** and elsewhere as specified in this Agreement, shall continue for the Initial Term and thereafter until terminated by at least three months’ written notice from any party.

3.4 Notwithstanding the above, Client may terminate this Agreement and/or any Work Contract at any time, including within its Initial Term or any written agreed extension of the Initial Term, provided that Client serves three (3) months’ prior written notice upon the Contractor. If Client exercises its right to terminate under this clause 3.4 in respect of a Work Contract, Client shall pay within 30 days of the date of the Work Contract terminating, an early termination fee limited to:

3.4.1 the sum of (i) [REDACTED]* per FTE (as defined in the relevant Work Contract) engaged in the provision of the Services on a dedicated basis under and in accordance with that Work Contract and this Agreement as at the date of the termination of the Work Contract or (ii) in the event of a Work Contract based upon Outcome Based Pricing the fee specified in such Work Contract (if any); and

3.4.2 the unrecovered part of any infrastructure and/or set-up costs specific to the Work Contract (such costs to be amortised on a straight line basis over the original Contract Period of the Work Contract) and the Contractor’s reasonable demobilisation expenses (being employee severance costs (in

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such amounts as set out in the appropriate sections of the Agreed Documents) or, if less, the cost of the Contractor in relocating employees to another site, together with technology and telecoms decommissioning). The Contractor shall mitigate all such costs to the extent reasonable. Any alteration to the Contractor's separation policy set out in the Agreed Documents in relation to Staff shall not, unless and to the extent required by Indian Regulations, lead to or give rise to any increase in the severance costs payable by Client under this clause. If Client exercises its rights under this clause the Contractor shall give notice to Staff at such time, consistent with the separation policy, as Client shall require.

For example, if a Work Contract (other than an Outcome Based Pricing Work Contract) initially has 20 FTEs and is eventually terminated by Client pursuant to this clause 3.4 and on the date of the termination of the Work Contract there are only 10 FTEs engaged in the provision of Services thereunder (due to ramp downs over the course of the term of such Work Contract), then Client shall pay to Contractor a termination fee equal to (1) [REDACTED]* ([REDACTED]* * 10) plus (2) the unrecovered capital expenditure costs (if any) calculated pursuant to clause 3.4.2 above.

3.5 Notwithstanding the above, if the Contractor Covenants are in Failure, Client may terminate this Agreement and all Work Contracts under it on three (3) months prior written notice without paying any compensation pursuant to **clause 3.4** and, if it wishes, exercise its rights under **Schedule 14** in which case this Agreement and all Work Contracts shall terminate in accordance with the terms of that Schedule.

3.6 For the avoidance of doubt a Work Contract may be signed on behalf of the Contractor by an Authorised Representative of either EXL India or EXL US.

4. **NO EXCLUSIVITY**

4.1 Save as Client may expressly agree in writing in a Work Contract, this Agreement grants no exclusivity to the Contractor over any services or gives any commitment to take a specific volume or minimum volume of the services which Client wishes to procure, whether or not such services are similar to or the same as those supplied by the Contractor to Client pursuant to a current Work Contract.

4.2 None of the parties has any commitment to enter into any Work Contract with the other parties during the term of this Agreement.

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5. **FORMATION OF WORK CONTRACTS**

- 5.1 This Agreement sets out the basic uniform terms of each Work Contract and establishes the overarching principles and processes that will apply to the provision of Services by the Contractor to Client. In respect of the Anticipated Services, Work Contracts shall strictly adhere to the principles contained in the Schedules and the Annexes to the draft Work Contract contained in **Schedule 15** or **Schedule 19** (as applicable), save only to the extent not applicable to the relevant Services or if Client agrees in writing to an express variation.
- 5.2 Whenever Client, or any member of Client Group requires, and the Contractor agrees to provide services, a Work Contract substantially similar to the form set out in **Schedule 15** shall be agreed and signed by Authorised Representatives of Client and the Contractor and Client and the Contractor will, acting in good faith, follow the Process Methodology. It is acknowledged by the parties that for Services, other than Anticipated Services, the terms contained in the Annexes to the Work Contract may need to be varied insofar as the draft provisions are not relevant to such Services. Notwithstanding the foregoing: (i) if the Services to be provided are for the use of the Contractor's six sigma or specified consulting resources only, then the parties will enter into a Work Contract substantially similar to the form set out in **Schedule 19**; and; (ii) if the Services are to be provided pursuant to Outcome Based Pricing, then the parties will enter into a Work Contract substantially similar to **Work Contract 1** for Credit Back Office.
- 5.3 To facilitate the commercial agreement of Work Contracts, Client and the Contractor have agreed the Pricing Model and recognise that unless agreed in writing to the contrary by Client, whenever applicable this will be used to determine the appropriate pricing for any Work Contract. Accordingly in relation to any Work Contract Client and the Contractor, acting in good faith and in an open and transparent manner, shall:
- 5.3.1 save where agreed to the contrary with Client in writing, apply the Pricing Model to determine the prices properly payable for the Services required under a particular Work Contract; and
- 5.3.2 unless agreed in writing to the contrary by Client in writing, adhere strictly to the terms of this Agreement.
- 5.4 Where the Pricing Model is not applicable to specific Services the subject of a proposed Work Contract, the parties shall negotiate the charges to be applicable to the new Work Contract in good faith (and in an open and auditable manner), based always on the underlying principles of the Pricing Model.

- 5.5 To facilitate the application of the Agreement the Contractor agrees that it will:
- 5.5.1 respond to a Client request for Services on the basis set out in this Agreement; and
 - 5.5.2 promptly provide such explanations and information as Client shall require to demonstrate that it is complying in all respects with the terms of this Agreement including this **clause 5**.
- 5.6 The provisions of a Work Contract shall override and exclude any other conditions which the Contractor may seek to impose or any contrary or additional terms and conditions as contained in or referred to in any other documents and/or correspondence from the Contractor in respect of the services which are the subject of the Work Contract.
- 5.7 If a Client Affiliate enters into a Work Contract, but is based in a territory other than the United Kingdom, the Work Contract shall contain such adjustment as is reasonably necessary to take account of different rules and regulations (including necessary changes to clause 15).

6. **APPOINTMENT**

- 6.1 During the Contract Period of any Work Contract the Contractor shall provide and deliver:
- 6.1.1 the Implementation Services; and
 - 6.1.2 the Services,
- to Client in accordance with and subject to the terms in such Work Contract and this Agreement.

7. **TRANSITION PLAN**

Implementation Services

- 7.1 During the Implementation Period of a Work Contract the Contractor shall provide the Implementation Services and the Deliverables in accordance with the relevant Transition Plan (including provision of any training modules contained in such Transition Plan, in the manner set out in Annex 10 of each Work Contract) and the technical solution and design obligations set out in **Schedule 3** and **Annex 7** of the relevant Work Contract.

7.2 The Contractor shall carry out the Implementation Services and deliver the Deliverables so that the relevant Implementation Services are fully completed, and the Deliverables are achieved, all to the standard required by this Agreement within the timescales detailed in **Annex 1** of the relevant Work Contract and, where parts of the same are Testable Outputs, Acceptance has occurred for such Testable Outputs before the Service Commencement Date for that Service Element.

7.3 The Contractor will perform the Implementation Services and deliver the Deliverables so as to minimise possible disruptions to Client and Client's customers during the Implementation Period.

Right of Inspection

7.4 Client shall have, during normal business hours and otherwise on reasonable notice, the right (but not so as to unreasonably delay or impede the progress of the Implementation Services or Deliverables) itself to inspect and view the state and progress of the Implementation Services and Deliverables (including a physical inspection of the Premises, the systems, Software, records, (including employee records) and training procedures (to ensure compliance with **Annex 10** of each Work Contract)) solely to ascertain whether the Transition Plan is being executed in accordance with this Agreement. If reasonably requested by Client, the Contractor shall provide copies of any documents and reports in relation to the Implementation Services and Deliverables.

7.5 Client may at any time during the Implementation Period require the Contractor reasonably to cooperate with Client in the inspection, monitoring and testing of the Implementation Services and Deliverables.

Service of Defects Notice

7.6 If Client (acting reasonably) considers that any Implementation Service or Deliverable required by a Work Contract has not been or is not being provided in accordance with this Agreement by the Contractor, it may at any time serve on the Contractor a Defects Notice specifying the relevant defect(s) in the Implementation Services or Deliverables which require remedy together with a reasonable time period for remedying such defects. If following such remedial period the Contractor remains in breach of any of its obligations under the Implementation Services or in respect of Deliverables, Client may terminate that Work Contract in accordance with

clause 32.1. For the avoidance of doubt if Client serves a Defect Notice then Client may not also terminate that Work Contract pursuant to **clause 32.1** in respect of the same failure until the period given in the Defects Notice for rectification has expired and then only if the relevant defect has not been rectified. Client agrees that it shall not exercise its right to terminate a Work Contract in accordance with this **clause 7.6** for a de minimis failure by the Contractor which has led to a Defects Notice being issued.

Effect of Defects Notice

- 7.7 Client shall have due regard to any representations made to it by the Contractor concerning any Defects Notice given under **clause 7.6**.
- 7.8 The Contractor shall as soon as practicable and in any event by the date specified by Client and at its own expense take all such measures as shall be necessary to remedy the defects of the Contractor specified in the Defects Notice.
- 7.9 If the Contractor fails to remedy the matter which is the subject of a Defects Notice (the “**Defect**”) by the expiry of the time period specified in the Defects Notice then Client may suspend those Service Elements, or parts thereof, which are affected by the Defects Notice pursuant to **clause 28**, or may terminate the relevant Work Contract for breach in accordance with **clause 32.1.1**.
- 7.10 Client’s rights under **clauses 7.6 to 7.9** shall be without prejudice to any other rights or remedy Client may have.

Consolidation Period

- 7.11 Following the first Service Commencement Date for any Work Contract there shall be a 90 day consolidation period during which time the Contractor shall monitor the performance under the relevant Work Contract but, save as set out in **clause 7.13**, in relation to which period no claim shall be made by Client for Service Credits. If during such consolidation period the level of performance under that Work Contract is not achieving some or all of the applicable Service Levels then Client at its option may issue a notice to the Contractor (a “**Consolidation Period Notice**”) that it wishes to suspend the Services (either in part or whole) pursuant to **clause 28**. If at the end of such consolidation period the level of performance of the relevant Work Contract fails to achieve some or all of the Service Levels then Client may serve upon the Contractor a notice to terminate the relevant Work Contract pursuant to **clause 32.2.1**. Client agrees that it shall not exercise its right to terminate this Agreement in accordance with this **clause 7.11** for a de minimis failure by the

Contractor which has led to a Consolidation Period Notice being issued. In addition, if for any Work Contract, there is a Service Element for which the Implementation Period extends beyond the 90 day consolidation period specified in this clause then for that Service Element only the consolidation period shall be the planned date for completion of Implementation for that Service Element plus seven days.

- 7.12 In the event that Client terminates a Work Contract in accordance with **clause 7.11**, the Contractor shall take such steps as are necessary to return the Services to Client in accordance with **clause 33** and the Exit Plan. Without prejudice to the parties' rights and remedies arising from any termination of a Work Contract, and as set out in **clause 33** and the Exit Plan, the Contractor shall pay its own costs and charges necessarily and properly incurred in migrating the Services to Client or Client's nominated third party supplier.
- 7.13 Notwithstanding the above, during the Implementation Period Client will monitor the Service Level dealing with "available resource" (ie the number of full time equivalent employees) set out in **Annex 5** of each Work Contract and, if the available resource does not meet the related KPI, Client shall be entitled to claim Service Credits from the Contractor in accordance with **Annex 5** of such Work Contract.
- 7.14 In the event of a ramp up of FTEs in a Work Contract of 20% or greater (or such lesser percentage as may be mutually agreed in writing by Client's Head of Operations (or equivalent) and the relevant Contractor Vice President), the provisions of clauses 7.11 to 7.13 shall apply to such additional resources for a period of 60 days from the effective date of such ramp up. During such 60 day period no claim shall be made by Client for Service Credits with respect to such additional resources.

8. **ACCEPTANCE PROCESS**

Acceptance Tests and Acceptance Criteria

- 8.1 Testable Outputs for Deliverables and Implementation Services are to be subject to Acceptance Tests in accordance with the Acceptance Criteria.
- 8.2 The provisions of **Annex 1** of each Work Contract shall determine how the Acceptance Tests and Acceptance Criteria are to be agreed, determined and carried out for Implementation Services and Deliverables.

Client Representations

- 8.3 The Contractor shall have due and proper regard to any representations made by Client during or regarding Client's consideration of any Testable Output against the relevant Acceptance Criteria and any defects, errors or items to be resolved, improved, amended, varied or completed for the relevant Acceptance Criteria to be met.

Issue of Acceptance Certificate

- 8.4 Provided that Client, acting reasonably, is satisfied in relation to any Testable Output that:
- 8.4.1 all Acceptance Criteria relating to the same have been met;
 - 8.4.2 any incomplete part of the Testable Output (a) will not impact upon the Contractor's ability to perform the relevant Service Element in accordance with this Agreement and (b) shall be completed within ten days (or such other period as shall be agreed by the parties) of the issue of the relevant Acceptance Certificate in accordance with the terms of this Agreement; and
 - 8.4.3 all documents required to be delivered to Client in relation to that Testable Output in accordance with this Agreement have been provided,
- Client shall, immediately upon being requested so to do by the Contractor, issue the relevant Acceptance Certificate relating to the Testable Output in question.

Effect of Issue

- 8.5 The issue of an Acceptance Certificate in relation to any Testable Output and Acceptance occurring shall confirm acceptance by Client that the relevant Testable Output has met the relevant Acceptance Criteria. Whilst the issue of an Acceptance Certificate will confirm completion of an element of the Implementation Services, this does not in any other way lessen or affect the obligations of the Contractor under this Agreement in relation to the Services or signify Client's approval of the means of delivery of each of the Testable Outputs or Services.

9. **DELAYS IN TRANSITION PLAN AND REMEDIES FOR DELAYS**

Notice of Delay

9.1 If at any time the Contractor becomes aware that any of the Services (including any Implementation Services and/or Deliverables) will not be, or is unlikely to be, completed (including any Key Milestone not being delivered in full) in accordance with this Agreement by, or any Acceptance of a Testable Output not been achieved in accordance with any timescales set out in the relevant Work Contract (whether or not the delay is caused by the Contractor, Client or any other reason), the Contractor shall forthwith give notice to Client to that effect specifying:

9.1.1 the reason for the delay or likely delay; and

9.1.2 an estimate of the likely effect of the delay on the performance of the relevant Services, completion of the relevant Implementation Services, Deliverable or Key Milestone and the effect on the commencement of the relevant Services (taking into account any measures that the Contractor proposes to adopt to mitigate the consequences of the delay, in accordance with **clause 9.3**).

Supply of Information

9.2 Following service of a notice by the Contractor pursuant to **clause 9.1** the Contractor shall promptly supply to Client any further information relating to the delay which from time to time:

9.2.1 is received by or known to the Contractor; or

9.2.2 is reasonably requested by Client (to the extent the Contractor knows of, has the same in its possession at the relevant time or is able to obtain it on reasonable enquiry).

Duty to Mitigate

9.3 Each party shall use all reasonable endeavours and take all reasonable steps to mitigate the consequences of any delay which is the subject of a notice pursuant to **clause 9.1** and the Contractor shall implement any steps reasonably requested by Client. This obligation shall be without prejudice to any other rights of Client in respect of, or arising out of, such delay, provided that Client shall not request steps of the Contractor in respect of any failure which is already the subject of a Defects

Notice where any timescale relating to the remedy of such failure in such Defects Notice has not yet expired. For the avoidance of doubt the Contractor shall not be responsible to the extent that a delay is caused by a Force Majeure which affects only Client's ability to receive the Services and not the Contractor's ability to perform the Services, but shall nevertheless continue to use all reasonable endeavours in accordance with this **clause 9.3**. Where the Contractor is unable to mitigate its costs as a consequence of Client's action or inaction, the Contractor shall not be in breach of this **clause 9.3**.

9.4 [REDACTED]*

9.5 [REDACTED]*

9.6 [REDACTED]*

9.7 [REDACTED]*

10. SERVICE PROVISION

10.1 The Contractor shall provide each Service Element from the relevant Service Commencement Date in accordance with:

10.1.1 the terms of this Agreement and the relevant Work Contract;

10.1.2 Client's data security policy as provided to the Contractor in the Agreed Documents and as amended by Client in writing from time to time, provided that where the data security policy imposes obligations upon the Contractor in addition to those contained in **Schedule 18**, then the Contractor shall comply with such policy to the extent that it can reasonably do so without necessitating its invocation of the Change Control Procedure;

10.1.3 Good Industry Practice;

10.1.4 Client's reasonable instructions from time to time, provided that if the Contractor reasonably considers such requirements to be an Outscope Change, it may refer such instructions to the Change Control Procedure; and

10.1.5 the information security requirements contained in **Schedule 18**.

10.2 The Contractor shall ensure that the Services (including the Implementation Services where applicable) are performed by:

10.2.1 members of the Key Staff, where set out in the relevant Work Contracts; and

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

- 10.2.2 such other members of the Staff who possess suitable skills and experience for the performance of the Services, and that all such Staff (including Key Staff) comply with all the terms of this Agreement applicable to them.
- 10.3 The Contractor shall at all times cooperate with and assist Client as Client may properly require in order to enable Client to satisfy its legal and regulatory obligations in connection with the provision of the Services, provided that if the Contractor reasonably considers such requirements to be an Outscope Change, it may refer such instructions to the Change Control Procedure. In addition, and without prejudice to **clause 36**, the Contractor will also make available to Client all relevant information the Contractor maintains for the purpose of complying with its obligations under this Agreement, each Work Contract and the Data Protection Agreement and which is requested by Client solely to comply with its legal and regulatory obligations.
- 10.4 Client shall perform its obligations identified in this Agreement and each Work Contract. If Client does not perform any such obligation either by the time specified, or to the reasonable standards required, then the Contractor shall be excused performance of any of its related obligations to the extent that Client's failure to perform has given rise to the Contractor's failure to perform its obligations. This shall, save in the case where injunctive or similar equitable relief is appropriate, be the Contractor's sole remedy for a failure by Client to perform its obligations. For the avoidance of doubt any non-payment of or dispute over the amount or payment of the Charges shall not permit the Contractor to cease or alter the performance of the Services but shall be referred to the Dispute Resolution Procedure.
- 10.5 The Contractor shall perform the Services in accordance with Service Levels set out in **Annex 5** of each Work Contract.
- 10.6 Client shall provide to the Contractor volume data and forecasts in the manner, frequency and containing the detail set out in **Annex 3** of each Work Contract.
- 10.7 Whenever the Contractor provides training to Staff, it shall comply with the training requirements set out in **Annex 10** of each Work Contract.

- 10.8 The Contractor shall provide the Services up to the Actual Volume provided by Client fully in accordance with the KPIs and Service Levels applicable to those Actual Volume and the terms of this Agreement. “**Actual Volume**” shall have the meaning given to such term in the relevant Work Contract.
- 10.9 Where Client requires Services which are in volume terms outside the scope of the Agreed Tolerance as defined in **paragraph 24.1 of Annex 3 to Schedule 15** the Contractor shall use its reasonable endeavours, save as otherwise agreed, to provide all such Services which are in excess of the Actual Volumes on equivalent financial terms as the then current Services and in accordance with the terms of this Agreement and in accordance with the provisions of **Annex 3** of each Work Contract. “**Agreed Tolerance**” shall have the meaning given to such term in the relevant Work Contract.
- 10.10 Client shall provide the Client Materials in a timely manner to enable the Contractor to comply with its obligations pursuant to this Agreement.
- 10.11 Following the prior written consent of Client (not to be unreasonably withheld or delayed), the Contractor’s employees may access such of Client’s premises (subject always to such supervision as Client believes reasonable) solely to the extent that such access is necessary for the Contractor’s proper performance of the Services. The Contractor’s employees shall comply with all reasonable directions of Client issued to the Contractor’s employees whilst upon Client’s premises.
- 10.12 Should the Contractor be unable to perform the Services in accordance with the terms of this Agreement and it reasonably believes that such inability is due to the actions or inactions of a member of the Client Group, the Contractor shall notify this to Client without delay and Client and the Contractor agree to use all reasonable endeavours to attempt to resolve any such issue, provided that (save as set out specifically elsewhere in this Agreement), this **clause 10.12** shall not of itself excuse the Contractor from its obligation to provide the Services hereunder, nor shall it of itself place any obligation on Client to carry out any action or cease any action that are not placed on Client elsewhere in this Agreement.
- 10.13 Save that the Contractor may not make any such reference referred to in this **clause 10.13** until Client has made the disclosure to its employees referred to in **clause 36.5.3**, the Contractor shall, unless and until Client advises otherwise, and subject as stated below, list Client as a reference on all pitches and proposals EXL US or any of its Affiliates makes to undertake business processing services on behalf of a third party. The Contractor shall advise Client in generic terms whenever it is put forward as a reference provided that it shall only list Client as a reference in relation to pitches or proposals made to Client Competitors with Client’s prior written consent.

- 10.14 Except as otherwise provided for in a Work Contract, both parties acknowledge that U.K. and Indian Bank Holidays will be treated as a normal Business Day by the Contractor and will aim to plan workload accordingly. UK Bank Holidays will not be treated as a normal Business Day by the Contractor if the Contractor is given prior written notice of planned Client systems downtime (such downtime is anticipated to be by exception).
- 10.15 Both parties acknowledge that for planned Client system downtime (subject to Client providing 20 Business Days notice) Client will not be charged for Contractor unproductive time and both parties will seek to agree (acting reasonably and in good faith) to a strategy to enable the Contractor to where possible recover productive hour equivalents to those lost. Such strategies will be agreed via the Change Control Procedure. The Contractor shall ensure that they take all reasonable steps to mitigate the impact for any loss in productive hours

11. **CONTRACTOR & CLIENT WARRANTIES**

- 11.1 EXL US warrants and represents to Client that at the Effective Date;
- 11.1.1 EXL US is properly constituted and incorporated under the laws of the State of Delaware and has all necessary authority, power and capacity to enter into this Agreement, the Data Protection Agreement and, during the term of this Agreement, Work Contracts;
- 11.1.2 EXL US has performed sufficient due diligence to fully satisfy itself in respect of the obligations contained in this Agreement, the Data Protection Agreement and any Services which may be entered into pursuant to this Agreement on such date;
- 11.1.3 any and all materials, documents, drawings, plans, data, models, financial information or any other information or representations whatsoever provided by EXL US to Client prior to entering into this Agreement are true, complete and accurate in all respects and are not misleading;
- 11.1.4 all financial information provided to Client is good and consistent with the financial information used in preparing EXL US's annual audited financial statement; and

- 11.1.5 there are no facts or circumstances in relation to the financial position or operation or constitution of EXL US which have not been fully and fairly disclosed to Client in writing and which, if so disclosed, might reasonably have been expected to affect the decision of Client to enter into this Agreement.
- 11.2 EXL India warrants and represents to Client that at the Effective Date :
 - 11.2.1 EXL India is properly constituted and incorporated under the laws of India and has all necessary authority, power and capacity to enter into this Agreement, the Data Protection Agreement and, during the term of this Agreement, Works Contracts;
 - 11.2.2 EXL India has performed sufficient due diligence to fully satisfy itself in respect of the obligations contained in this Agreement, the Data Protection Agreement and any Services which may be entered into pursuant to this Agreement on such date;
 - 11.2.3 that any and all materials, documents, drawings, plans, data, models, financial information or any other information or representations whatsoever provided by EXL India to Client prior to entering into this Agreement are true, complete and accurate in all respects and are not misleading; and
 - 11.2.4 there are no facts or circumstances in relation to the financial position or operation or constitution of EXL India which have not been fully and fairly disclosed to Client in writing and which, if so disclosed, might reasonably have been expected to affect the decision of Client to enter into this Agreement.
- 11.3 The Contractor undertakes to Client that at all times during the Contract Period:
 - 11.3.1 it will provide the Services in accordance with each Work Contract and the terms of this Agreement;
 - 11.3.2 it has satisfied itself in respect of each Work Contract as to the obligations therein, and the scope and requirements of the Services detailed in each such Work Contract;
 - 11.3.3 it will comply with the Transition Plan in each Work Contract and achieve all Key Milestones stated in such Transition Plan;

- 11.3.4 it will provide the Services using appropriately qualified, skilled and trained personnel;
- 11.3.5 all Assets are of the requisite quality, adequacy and performance and are appropriate to achieve Client's requirements set out in this Agreement;
- 11.3.6 all Hardware or Software (other than software of the Client) used by the Contractor in the performance of this Agreement shall be Year 2000 Compliant;
- 11.3.7 any Contractor Software used by the Contractor in the performance of this Agreement will, to the extent to which it is necessary for the performance of the Services, from such date, if any, as the United Kingdom enters into Monetary and Economic Union with the EU:
 - 11.3.7.1 allow all financial and monetary information and all calculations resulting therefrom to be converted and rounded from Sterling to Euro and Euro to Sterling in accordance with the rules for conversion and rounding contained in EU Council Regulation 1103/97; and
 - 11.3.7.2 be capable of operating in dual currency (and for these purposes "dual currency" means United Kingdom Pounds and the Euro);
- 11.3.8 it shall not knowingly or negligently introduce a software virus, computer worms, software bombs or similar items into the Hardware or Software used by Client or by the Contractor in the provision of the Services and will not knowingly introduce any logic bombs, Trojan horses or time bombs into the Hardware or Software used by Client or by the Contractor in the provision of the Services;
- 11.3.9 all Assets (including licences and equipment) provided or procured by the Contractor for the provision of the Services are adequate and appropriate for the provision of the Services in accordance with this Agreement and shall, to the extent possible, be transferable to Client provided that Client shall be responsible for any associated transfer or licensing fees where applicable;
- 11.3.10 all Permitted Contractors enter into the standard confidentiality agreement with the Contractor in the form of that contained in **Schedule 1**;
- 11.3.11 all Staff engaged in the provision of the Services will adhere to equivalent confidentiality obligations as are contained in **clause 36**; and

11.3.12 it shall comply with any applicable provisions of the Foreign Exchange Management Act 1999 (“FEMA”) and FEMA regulations made thereunder and ensure that it has all requisite approvals necessary under FEMA and such FEMA regulations for the operation of this Agreement.

11.4 The Client warrants and represents that:

11.4.1 it is properly constituted and incorporated under the laws of England and Wales and has all necessary authority, power and capacity to enter into this Agreement, the Data Protection Agreement and, during the term of this Agreement, Work Contracts;

11.4.2 there are no facts or circumstances in relation to the financial position or constitution of Client which have not been fully and fairly disclosed to the Contractor which, if so disclosed, might reasonably have been expected to affect the decision of the Contractor to enter into this Agreement;

11.4.3 all corporate action required by it to authorise the execution and delivery of, and to execute its rights and perform its obligations under this Agreement and all other documents which are to be executed by it as envisaged by this Agreement have been or will be taken;

11.4.4 the Contractor will not be required to purchase any licences or obtain any third party consents to allow it to use Client Materials for the purposes of providing the Services pursuant to this Agreement; and

11.4.5 Client has obtained any governmental consents and/or authorisations necessary under UK Regulations to allow it to contract out the provision of the Services to the Contractor, and the Contractor will not be required to obtain any separate or further consents and/or authorisation under UK Regulation in order to enable it to provide the Services in the manner contemplated by this Agreement.

12. **KPIS AND SERVICE LEVELS**

12.1 The Service Levels set the level of performance of each of the Service Elements that are, as a minimum, required of the Contractor.

12.2 Certain of the Service Levels have a related KPI and in respect of any such Service Level the Contractor will provide the Services in accordance with the KPI.

- 12.3 The Contractor shall monitor its performance of the Services in accordance with the procedure set out in **Schedule 3, Annex 5** and **Annex 7** of each Work Contract and within ten Business Days of the end of each month the Contractor shall provide a report to Client of its performance of the Services, in particular identifying its performance of the Services when measured against KPIs.
- 12.4 If the Contractor fails to achieve KPIs in a month, then, subject to **clause 12.5**, the default provisions of **Schedule 3** and **Annex 5** and **Annex 7** of each Work Contract shall apply and Client shall be entitled to claim under the remedies contained in **Schedule 3** and **Annex 5** and **Annex 7** of each Work Contract.
- 12.5 [REDACTED]*
- 12.6 If the Contractor fails to achieve a KPI and such failure is caused by a Dependency not being fulfilled, then to the extent that the failure is caused by the Dependency not being fulfilled the Contractor shall be relieved from any liability in respect of the non-compliance.
- 12.7 Client may elect to undertake its own performance monitoring exercise at any stage during the term of this Agreement for any purpose including in order to ensure that the Services are being provided in accordance with this Agreement.
- 12.8 Client's rights under this **clause 12** shall be without prejudice to any other right or remedy which Client may have with regard to any failure to provide the Services to the levels required by the Service Levels and KPIs.

13. **CO-OPERATION WITH THIRD PARTIES**

- 13.1 The Contractor shall co-operate with any sub-contractor of Client which Client notifies to the Contractor from time to time specifying the areas in which cooperation is necessary and the necessary actions, if any, which the Contractor is requested to undertake. The Contractor may request that the matter be subject to the Change Control Procedure which shall, if applicable, determine what Charge may be made for such co-operation. If Client requires the Contractor to work with a Contractor Competitor, Client shall procure that the Contractor will not be required to disclose its Intellectual Property Rights or any of its Confidential Information to such Contractor Competitor, and that such representatives from such Contractor Competitor cannot, without the Contractor's prior written consent, enter the Premises or give instructions to Staff.

* Confidential treatment has been requested with respect to this portion of the agreement, and such confidential portion has been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

13.2 Notwithstanding **clause 13.1** Client confirms that it is solely responsible for managing and directing its sub-contractors and that the Contractor has no obligation to manage or direct Client's sub-contractors.

14. **CHANGE CONTROL**

14.1 Either of Client or the Contractor may serve a Change Notice relating to an Inscope Change requiring it (or, if served by the Contractor, requesting) the other of them to make an Inscope Change to the Services or the Transition Plan in accordance with the Change Control Procedure.

14.2 Either of Client or the Contractor may serve a Change Notice relating to an Outscope Change upon the other of them requesting changes to the Services or the Transition Plan in accordance with the Change Control Procedure.

14.3 Client may serve a notice (a "**Regulatory Change Notice**") upon the Contractor requesting the Contractor to make a change to the Services or the Transition Plan within the timescale specified by Client where there is a change in UK Regulations or a direction by a Regulatory Authority with regard to UK Regulations after the Effective Date.

14.4 Where Client serves a Regulatory Change Notice, the Contractor shall make and implement such change within the timescale specified in the Regulatory Change Notice. If reasonably practicable the parties shall determine any necessary variation to the Charges or other terms of this Agreement in accordance with the Change Control Procedure prior to implementation of the change(s) required by the Regulatory Change Notice, but if this is not reasonably practicable then Client will pay the Contractor all costs and expenses properly and necessarily incurred. Such costs shall be calculated on the Contractor's standard man day rates as set out in **Schedule 7** (the "**Regulatory Costs**"), provided that if the capital cost to the Contractor of complying with the Regulatory Change Notice in terms of capital expenditure will exceed [REDACTED]*, then the Contractor shall not be required to incur the expenditure required to comply with the Regulatory Control Notice unless and until Client agrees in writing to purchase (such purchase to be arranged and managed by the Contractor) such assets to allow the Contractor to utilise the same to provide the Services. The parties will subsequently use the Change Control Procedure with retrospective effect after implementation of the change(s) required by the Regulatory Change Notice to determine any necessary change to the Charges. To the extent that capital expenditure is required but does not exceed [REDACTED]* then, unless Client elects to purchase these assets in the manner set out above, the

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

cost of the Contractor funding this prior to the Charges being adjusted to reflect this change will be included as a specific addition as part of the Change Control Procedure, along with any changes to ongoing costs.

14.5 Any changes to Regulations other than changes to or incurrence of UK Regulations shall be at the risk and cost of the Contractor. Without limitation to this the Contractor may serve a Change Notice where these changes require it to provide Services in a different manner operationally to address the operational impact of the changes.

15. **REGULATORY COMPLIANCE AND DATA PROTECTION**

15.1 Subject to **clause 14** the Contractor shall carry out the Services in compliance with and shall ensure that all premises, equipment, systems and processes used in the provision of the Services (other than the Client Materials and all of Client's equipment and systems) comply (to the extent applicable) with all Regulations in force from time to time.

15.2 Without prejudice to **clause 15.1** the Contractor shall comply with all directions given to it by Client where these are necessary to comply with UK Regulations. The Contractor shall not be in breach of **clause 15.1** if it fully and effectively complies with directions given by Client as to how to comply with a specific UK Regulation and compliance with such directions is not sufficient to comply with such UK Regulation.

15.3 If Client directs the Contractor in writing as to a particular methodology or instruction and as a result of the Contractor not complying with Client's directions Client falls into breach of UK Regulations then:

15.3.1 the Contractor shall at its own cost immediately undertake such measures as Client shall require and which are necessary to establish compliance with the UK Regulations;

15.3.2 the Contractor shall indemnify Client against any losses, costs, expenses or fines that Client shall incur as a consequence of the Contractor's non-compliance with Client's directions; and/or

15.3.3 if the consequence of the Contractor's breach is material Client may terminate this Agreement, either in respect of part or all of the Service, in accordance with **clause 32.2.1**.

- 15.4 If the Contractor incurs any additional cost as a result of changes to or incurrence of Regulations following the Effective Date, or as a result of Client's directions pursuant to **clause 15.2** given after the Effective Date, then the matter shall be addressed in the manner set out in **clauses 14.4** and **14.5**.
- 15.5 The Contractor shall following the Effective Date fully co-operate with Client to allow Client to perform an adequacy assessment of the Contractor's data protection compliance. Any outputs from this adequacy assessment shall be incorporated into all relevant training and the Contractor shall promptly and at its own cost undertake such measures as are necessary to rectify all applicable data protection compliance that Client's assessment has determined (acting reasonably) are inadequate.
- 15.6 INTENTIONALLY DELETED.
- 15.7 **Data Protection**
- 15.7.1 Each party agrees that, in the performance of its respective obligations under the Agreement, it shall comply with the provisions of the Data Protection Act 1998 ("the Act") to the extent it applies to each of them. Where used in this Clause 15.7, the expressions "process", "Personal Data", "Data Processor" and "Data Subject" shall bear their respective meanings given in the Act.
- 15.7.2 The Contractor is acting as a Data Processor in providing the Services and where processing Personal Data within the European Economic Area, the following provisions shall apply:
- 15.7.2.1 The Contractor undertakes that it shall process the Personal Data in accordance with the terms of the Agreement and the Client's instructions from time to time or unless otherwise required by law or any other regulatory body;
- 15.7.2.2 The Contractor shall ensure that only such of its employees who may be required by the Contractor to assist it in meeting its obligations under the Agreement shall have access to the Personal Data. The Contractor shall ensure that all employees used by it to provide the services have undergone training in data protection and in the care and handling of Personal Data.
- 15.7.2.3 The Contractor shall ensure appropriate operational and technical measures are in place to safeguard against any

unauthorised access, loss, destruction, theft, use or disclosure of the Client's Personal Data and, having regard to the state of technological development and the cost of implementing any measures, the measures must ensure a level of security appropriate to the harm that might result from unauthorised or unlawful processing or accidental loss, destruction or damage. In addition if required, the Contractor will provide to the Client assurance in respect of the security of any Personal Data processed by the Contractor as may be reasonably required by the Client to comply with its obligations under the Act, including for example promptly providing reasonable information to the Client upon request regarding such security measures;

- 15.7.2.4 The Contractor agrees to notify the Data Controller in the event that it receives a request or notice from a Data Subject exercising his rights under the Act and to assist the Client promptly with all subject access requests which may be received from Data Subjects;
- 15.7.2.5 The Contractor will not disclose Personal Data to, or appoint a sub-processor which is, a third party other than with the prior written agreement of the Client or as otherwise permitted in the Agreement (other than in this Clause 15.7). Where the Contractor wishes to so appoint a sub-processor, the Contractor shall do so in the following manner:
- 15.7.2.6 The Contractor and sub-processor shall contract on terms, which are substantially similar to the ones set out in either Clause 15.7.2 or 15.7.3, as applicable, and the Client shall be named as a third party beneficiary (for the purpose of the Contracts (Rights of Third Parties) Act 1999) to that contract; and
- 15.7.2.7 The grant of any approval by the Client under clause 15.7.2.5 in respect of the appointment of any sub-processor shall not relieve the Contractor from any liability under this Agreement and the Contractor shall remain responsible for obligations, services and functions performed by any of its sub-processors to the same extent as if those obligations, services and functions were performed by the Contractor.

- 15.7.3 The Contractor will allow its data processing facilities, procedures and documentation which relate to the processing of the Personal Data to be inspected by the auditors (on reasonable written notice and during Contractor's regular business hours) of the Client and/or the Client's employees or agents, in order to ascertain compliance with the terms of the Agreement.
- 15.7.4 The Contractor shall promptly carry out any request from the Client requiring the Contractor to amend, transfer or delete the Personal Data or any part of the Personal Data;
- 15.7.5 On termination, the Contractor shall immediately cease to use the Personal Data and shall arrange for its safe return or destruction as shall be agreed with the Client at the relevant time;
- 15.7.6 The Contractor shall notify the Client immediately upon receiving any notice or communication from any Data Subject, supervisory or government body, including the Office of the Information Commissioner, which relates directly or indirectly to the processing of the Personal Data under this Agreement;
- 15.7.7 If requested, the Contractor shall provide to the Client a copy of the Personal Data in the format and on the media reasonably specified by the Client;
- 15.7.8 If any Personal Data in the possession or control of the Contractor become lost, corrupted or rendered unusable for any reason, the Contractor shall promptly restore such Personal Data using its back up and/or disaster recovery procedures at no cost to the Client;
- 15.7.9 The Contractor shall not and will ensure that its sub-contractors shall not, under any circumstances transfer the Personal Data outside the European Economic Area unless authorised in writing to do so by the Client; and
- 15.7.10 Where the Contractor is processing Personal Data outside the European Economic Area, the Clauses in Schedule 21 shall be entered into between the Client and the Contractor.

16. **CONTRACT MANAGEMENT/KEY STAFF**

- 16.1 Each of Client and the Contractor shall employ throughout the term of this Agreement and during the Contract Period of each Work Contract an Authorised Representative (or Authorised Representatives), whose identity will be notified in writing from time to time to the other of them.
- 16.2 The Authorised Representatives shall have the full authority to act on behalf of the party which it represents for the purposes of this Agreement or such other additional purposes as are notified in writing from time to time by Client or the Contractor, as appropriate, to the other in respect of its Authorised Representative.
- 16.3 Each of Client and the Contractor shall be entitled to treat any act of the other's Authorised Representatives in connection with this Agreement as being expressly authorised by the party or parties which such Authorised Representative represents (save where the Agreement expressly provides or the parties have previously agreed in writing otherwise).
- 16.4 The Contractor's Authorised Representatives shall have day to day responsibility for the implementation of each Transition Plan and the Services and shall attend any meetings relating to this Agreement that are reasonably requested by Client's Authorised Representative.
- 16.5 In addition to the Authorised Representatives, the parties shall respectively both provide the identity and contact details of the individuals specified in **Schedule 6** and ensure that they fulfil the functions specified in **Schedule 6**.
- 16.6 If any member of the Key Staff leaves the employment of the Contractor, the Contractor shall:
- 16.6.1 inform Client of the departure as soon as it becomes irrevocable or the member of Key Staff has given notice to terminate his employment contract; and
 - 16.6.2 confirm the name, qualifications and experience of any replacement to Client.

It is agreed that the Contractor shall replace each departing member of the Key Staff with an individual of at least equivalent experience and expertise in delivery of projects or services similar to the Transition Plan, Implementation Services or Services (as applicable) and with equivalent levels of authority as the member of Key

Staff being replaced. If Client does not agree (acting reasonably) that the Contractor has replaced a departing member of the Key Staff with an individual of at least relevant experience and expertise, Client may notify the Contractor in writing of this concern requiring an explanation and the Contractor's proposals to remedy the situation.

16.7 Client may at any time require the Contractor to notify Client in writing within ten days of:

16.7.1 the numbers and grades of Staff and Key Staff engaged in the provision of each Service Element;

16.7.2 the technical solution employed to deliver each Service Element; and

16.7.3 any software and hardware employed to deliver each Service Element.

Client shall use its reasonable discretion to render all information provided to it pursuant to this **clause 16.7** generic and not identify the Contractor's precise staffing levels, technical solution and systems. Provided that it complies with this **clause 16.7**, Client shall be permitted to use this information in any retendering exercise and may release such information to third party providers, subject to the third party providers agreeing confidentiality obligations equivalent to those in this Agreement.

16.8 The Contractor shall not redeploy any of the Key Staff to another of its clients/customers without the prior written consent of Client. The Contractor shall not use any of the Hardware or Software for the provision of services to a third party (save where the Hardware and Software is identified in this Agreement or a Work Contract as being Hardware or Software shared with third parties).

16.9 Client reserves the right by notice in writing to the Contractor to require removal from the Services of any individual used by the Contractor in the provision of the Services, provided that a prior reasonable justification has been provided to the Contractor confirming that this action is appropriate. Following the issue of any such notice the Contractor shall promptly withdraw such individual from provision of the Services and ensure that any Confidential Information held by such individual is returned to the Contractor or Client (as appropriate).

16.10 [REDACTED]*

16.11 [REDACTED]*

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

17. **MANAGEMENT AND SUPERVISION**

- 17.1 The Contractor shall manage the Services in accordance with the requirements of this Agreement and in particular with **Schedule 6**.
- 17.2 The Contractor shall ensure that all of the Staff are fully supervised at all times and fully comply in all respects with any agreed procedures, all relevant Regulations and conduct themselves in a manner appropriate to the Services.
- 17.3 The Contractor shall have, or shall work towards obtaining by a date no later than the earliest Service Commencement Date arising pursuant to any Work Contract entered into, a quality management framework covering such points as:
- 17.3.1 Service performance;
 - 17.3.2 KPI and Service Level measures;
 - 17.3.3 feedback and coaching for Staff;
 - 17.3.4 process improvements; and
 - 17.3.5 customer satisfaction measurement.
- 17.4 The Contractor shall implement those cultural and house-style policies which are referred to in **Schedule 5**, and contained in the Agreed Documents together with any other policies of which Client notifies the Contractor. If the Contractor reasonably believes that such policies of Client conflict with the Contractor's own policies, then it shall notify Client and the parties shall agree a mutually satisfactory solution to the conflict (and in the absence of agreement, either party may refer the matter to be resolved pursuant to the Dispute Resolution Procedure). If any policy of which Client notifies the Contractor following the Effective Date (or in relation to an individual Work Contract, the relevant Contract Term Start Date) causes an increase or looks likely to cause an increase in the Contractor's costs which the Contractor (acting reasonably) believes to be an Outscope Change, the Contractor may refer such matter to the Change Control Procedure.

18. **MONITORING/AUDIT/ACCESS RIGHTS**

- 18.1 The Contractor shall provide audit and access rights (collectively the "**Inspection Rights**"; for the avoidance of doubt, the rights granted pursuant to **clauses 7.4** and

7.5 shall also be deemed to be included in the Inspection Rights), on the following basis (where reference is made to an exercise of the Inspection Rights, that is a reference to an exercise of such rights in a complete or partial manner):

- 18.1.1 Client and/or any Client appointed auditor shall be permitted access to any and all documentation in the possession, custody or control of the Contractor which relates to the Services and the Contractor shall procure that any person acting on its behalf (including any Permitted Contractor) who has such documents and/or other information shall also provide such access;
- 18.1.2 the Inspection Rights include the power to interview Staff, Permitted Contractors, staff of Permitted Contractors (provided that a representative of the Contractor may be present during any such interview), take copies of any and all documentation and have access to and take copies of any computer data held for the purposes of the Services at all reasonable times and upon reasonable notice;
- 18.1.3 each of the parties will be responsible for all of its own costs arising from its exercise of the Inspection Rights; and
- 18.1.4 to the extent and for the period that the Inspection Rights cause any unavoidable disruption to the Services or the Contractor's obligations under this Agreement, the Contractor will not be liable for the consequences arising from such disruption.

The Inspection Rights shall also extend to establishing and verifying compliance with the Data Protection Agreement, the Contractor Covenants, the information security requirements set out at **Schedule 18** and the organisational structure set out at **Schedule 5**.

- 18.2 If requested by Client, the Contractor shall provide copies of any documents and reports which the Contractor holds in relation to the provision of the Services and the operation of this Agreement and the Work Contracts made under it.
- 18.3 Client agrees that where it, or its appointed auditors, exercises its rights to inspect and/or audit all or any part of the Services under this Agreement, it will use reasonable endeavours to minimise any disruption caused to the provision of the Services and the Contractor's compliance with its obligations.

- 18.4 The Contractor shall grant to Client (and its employees and authorised agents) access to the Premises together with any other site(s) at which the Contractor holds records relating to the Services at all times without prior notice in order to enable Client to monitor and validate the Contractor's performance of the Services and of its obligations under this Work Contract.
- 18.5 Client or its agent shall be permitted open book access (at any time and with no notice requirements) to all records (including financial records) maintained pursuant to this Agreement and each Work Contract during the term of this Agreement and the Contract Period of each Work Contract (as applicable) and for a further period of 90 days following the date of termination of this Agreement or Work Contract (as applicable).
- 18.6 Client shall procure that any of its personnel and authorised agents visiting the Premises shall conform to the reasonable rules laid down by the Contractor from time to time for visitors to its premises.
- 18.7 Client agrees that:
- 18.7.1 where it requires a third party provider to access the Contractor's premises; or
- 18.7.2 Client provides a third party provider access to the Contractor's data,
- it shall prior to such third party having access to the premises or to the data, procure that such third party executes a confidentiality agreement with Client providing that such third party owes duties of confidentiality to both Client and the Contractor which are at least equivalent to the confidentiality obligations contained in this Agreement and shall contain a prohibition on disclosure of such data.
- 18.8 Save where agreed to the contrary by Client in writing, the Contractor shall provide certificates confirming compliance with the standards detailed in this **clause 18.8** on an annual basis, such certification to be provided during the month preceding each anniversary of the Effective Date. The certification areas subject to this **clause 18.8** are:
- 18.8.1 ISO 27001;
- 18.8.2 ISO 9001; and

18.8.3 Sarbanes-Oxley compliance, evidenced by copies of the Sarbanes-Oxley certifications made in Contractors annual Form 10-K filed with the United States Securities and Exchange Commission.

19. **PRICING**

19.1 Subject to the other terms of this Agreement, throughout each Contract Period, Client shall pay to the Contractor the Charges specified in each Work Contract, based upon the Pricing Model specified in **Schedule 7**.

19.2 Unless otherwise expressly agreed by the parties in writing or set out in this Agreement, the Charges due under this **clause 19** shall constitute Client's entire payment obligations for the Services to the Contractor under this Agreement.

19.3 All Work Contracts of Client and its Affiliates, whether made under the Agreement or not, will be deemed as Grouped Work Contracts for the purposes of calculating the baseline unit pricing (i.e. before adjusting for Service delivery requirements, infrastructure and regional variations unique to any Client entity) for the same types of Services. For the avoidance of doubt, the final pricing (i.e. the actual contracted amount) for any Services for each Client entity shall be adjusted for Service delivery requirements, infrastructure, regional variations unique to each Client entity (e.g. different shift times, dual screen monitors as opposed to single, attrition variances for working nightshift, differences in bandwidth costs and geography) or material differences to contractual terms. Client shall use reasonable efforts to ensure that when its Affiliate elect to source services from the Contractor, such Affiliate enter into Work Contracts pursuant to this Agreement. Client may in its sole discretion exclude one or more Work Contracts from this clause 19.3.

20. **THIRD PARTY SERVICES**

For the avoidance of doubt, save as specifically set out in this Agreement, the Contractor is not precluded from providing services to or doing business with any Client Competitor.

21. **PAYMENT**

21.1 The Contractor shall issue an invoice to Client for the Services on the basis set out in **Schedule 7, Annex 6** of each Work Contract and this **clause 21**. Each invoice shall be sent by the Contractor to such address as Client shall notify to the Contractor from time to time.

- 21.2 Each invoice submitted to Client for payment must contain the following information:
- 21.2.1 the Work Contract(s) to which the invoice relates (the Charges to be broken down to a per Service Element basis and including or accompanied by such reporting as is sufficient for Client to reconcile the invoiced volumes and values);
 - 21.2.2 the period to which the Charges relate;
 - 21.2.3 any Service Credits which have been set against the Charges in accordance with **Annex 5** of each Work Contract; and
 - 21.2.4 any Liquidated Damages which have been set against the Charges in accordance with **Annex 1** of each Work Contract.
- 21.3 Subject to **clause 21.5**, Client shall pay in United Kingdom Pounds Sterling (or, if replaced by the Euro, in Euro (after applying the conversion mechanism determined by United Kingdom statute, regulation or direction)) by bank transfer to such United Kingdom bank account as the Contractor may notify to Client in writing from time to time:
- 21.3.1 all invoices (other than with respect to debit notes) delivered to it in accordance with this **clause 21** on or prior to the date which is 42 days following the date upon which Client receives the invoice; and
 - 21.3.2 any debit notes raised by the Contractor as soon as possible (on a reasonable endeavours basis) upon receipt of the Contractor's invoice.”
- Notwithstanding anything in the Agreement to the contrary, the foreign exchange rate applied to debit note invoices shall be the closing rate set by the Reserve Bank of India on the date of the invoice.
- 21.4 If any sums are due to Client from the Contractor, as agreed by Client and the Contractor or as determined pursuant to the Dispute Resolution Procedure, Client shall, following prior written notice to the Contractor specifying the sums owing from the Contractor to Client and the invoice against which such sums will be set off, be entitled to set these off against such invoices.
- 21.5 If Client disagrees with any amount invoiced for any genuine reason or requires any further reasonable information with respect to any amount invoiced, it shall notify the Contractor of the reason(s) for such disagreement or request such further

information within 30 days of receiving the invoice; pending the resolution of such dispute Client shall be entitled to withhold payment of such part of the monies which are in dispute or subject to further investigation in accordance with this clause. If no notification of a dispute is received pursuant to this **clause 21.5** in relation to an invoice, then such invoice shall be paid in accordance with **clause 21.3**.

- 21.6 If the Contractor disputes that Client is entitled to any reduction in the invoiced amount or the amount of any such reduction, then it may implement the Dispute Resolution Procedure. In the event that it is resolved pursuant to the Dispute Resolution Procedure that there was an overcharge, then the Contractor shall reimburse Client for the amount overcharged if such amount has been previously paid to Contractor.
- 21.7 Client and the Contractor shall pay the other of them any amounts which are agreed or determined, pursuant to the Dispute Resolution Procedure, as being due to the other of them, within the later of the original payment date for the invoice and seven days following determination of the sum due.
- 21.8 Payment by Client shall be without prejudice to any claims or rights which Client may have against the Contractor and shall not constitute any admission by Client as to the performance by the Contractor of its obligations under this Agreement.
- 21.9 All amounts payable pursuant to this Work Contract are expressed exclusive of VAT properly chargeable in accordance with UK Regulations. If required by UK Regulations, Client shall pay any VAT at the rate for the time being properly chargeable in respect of the Services, subject to the Contractor providing Client with such valid tax invoices or other documentation as may be required by any relevant statute or regulation. The Contractor shall be responsible for all taxes and duties imposed upon the Charges other than those imposed pursuant to UK Regulations.
- 21.10 If any sum payable under this Agreement is not paid when due then, without prejudice to that party's other rights and remedies under this Agreement, that sum will bear interest from the due date until payment is made in full, both before and after any judgment, at 2% per annum over the Bank of England base rate from time to time. The parties agree that this **clause 21.10** is a substantial remedy for late payment of any sum payable under this Agreement in accordance with clause 8(2) of the Late Payment of Commercial Debts (Interest) Act 1998.
- 21.11 All invoices will be rendered by Contractor in a timely manner. Where invoices are not properly invoiced within 6 months of the applicable service or product delivery date and such delay is not attributable to delay on Client's part or Client's failure to

fulfil a Client dependency, the Contractor will submit a justification for such delay. Notwithstanding any justification submitted, Client may refuse payment on such delayed invoices in its sole discretion.

22. [REDACTED]*

22.1 [REDACTED]*

22.2 [REDACTED]*

23. **INTELLECTUAL PROPERTY RIGHTS**

23.1 The Contractor acknowledges and agrees that all Intellectual Property Rights in the Project Materials shall belong exclusively and in their entirety to Client.

23.2 The Contractor agrees on request to assign or procure the assignment to Client of all Intellectual Property Rights in the Project Materials. The Contractor shall do all such things and execute all documents and instruments requested by Client which are necessary to enable Client to obtain, defend or otherwise protect or enforce its Intellectual Property Rights in the Project Materials.

23.3 Subject to **clause 23.4** the parties hereby agree that all Intellectual Property Rights: (i) created by or on behalf of the Contractor prior to the Effective Date in respect of the Contractor Software to be used primarily for the purposes of performing the Services pursuant to this Agreement; and/or (ii) created after the Effective Date by or on behalf of the Contractor to be used primarily for the purposes of performing the Services pursuant to this Agreement that are not Project Materials and/or Client Materials (and do not contain or incorporate any aspect of the Client Software) (together "**Contractor IPR**") shall belong to the Contractor. During the term of this Agreement:

23.3.1 The Contractor may not use Contractor IPR to provide services to a Client Competitor unless such Contractor IPR has been generically changed to be no longer designed for specific use with an energy or utilities company.

23.3.2 The Contractor grants an unrestricted, irrevocable royalty free licence for the duration of this Agreement for Client to use the Contractor IPR, including the right to sub-license such Contractor IPR to Affiliates (while they remain Affiliates) and third party contractors in connection with the Services (but, for the avoidance of doubt, not to Contractor Competitors).

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

- 23.3.3 If the Contractor believes that it should own or wishes to use for any persons or entity other than Client any Client Materials and/or Project Materials, it may apply in writing to Client for specific permission to own or use such development.
- 23.4 In relation to any Contractor IPR (i) the development of which is specifically paid for by Client, or (ii) which is embedded in the Project Materials and/or Client Materials as part of the process of actually providing the Services (but not monitoring the provision of the Services (“**Developed IPR**”)), the Contractor grants an unrestricted, irrevocable royalty free and perpetual licence for Client to use such Contractor IPR, including the right to sublicense such Contractor IPR to Affiliates and third parties, provided that this licence shall only cover the specific Developed IPR itself and nothing in this **clause 23.4** shall be taken as granting Client a licence to or right to use any other Intellectual Property Rights or software of the Contractor, whether or not Contractor IPR, including for the avoidance of doubt any software in which Contractor IPR or Developed IPR may be embedded.
- 23.5 Upon request by Client, and in any event upon termination of this Agreement (howsoever occasioned), the Contractor shall promptly deliver to Client all copies of the Project Materials in its custody, control or possession.
- 23.6 The parties hereby agree that all Intellectual Property Rights arising during the continuance of this Agreement in respect of alterations, modifications and enhancements of Client Software (being software which is owned by or licensed to Client other than by the Contractor) made by the Contractor or procured by the Contractor specifically in connection with or to deliver the Services shall belong to Client and the Contractor undertakes as necessary to assign or procure the assignment of all such Intellectual Property Rights to Client, at Client’s expense. For the avoidance of doubt, save as may be agreed pursuant to **clause 23.3.3**, the Contractor shall not have the right to use Client Software for the benefit of any company not part of the Client Group.
- 23.7 Client shall, subject as stated in **clause 23.8**, indemnify and hold harmless the Contractor against all damages (including legal costs) that may be awarded or agreed to be paid to any third party in respect of any claim or action that the use of Client Software and/or the Client Materials by the Contractor or its subcontractors pursuant to this Agreement infringes any Intellectual Property Rights of a third party. Client shall provide such assistance and take such action as the Contractor shall reasonably require to protect the Contractor’s interest in such eventuality.

- 23.8 If the Contractor becomes aware of a matter which may give rise to a claim under the indemnity given at **clause 23.7**:
- 23.8.1 the Contractor shall notify Client immediately of the matter (stating in reasonable detail the nature of the matter and, if practicable, the amount claimed) and consult with Client with respect to the matter; if the matter has become the subject of proceedings, the Contractor shall notify Client as soon as practicable to enable Client jointly to contest the proceedings;
- 23.8.2 the Contractor shall provide to Client and its advisers access to premises and personnel and to all relevant assets, documents and records that it possesses or controls to the extent necessary for the purposes of investigating the matter and enabling Client to take the action referred to in this clause and Client may take copies of the documents and records solely for this purpose;
- 23.8.3 the Contractor shall take any action and institute any proceedings, and give any information and assistance that Client may reasonably request to dispute, resist, appeal, compromise, defend, remedy or mitigate the matter or enforce against a person the Contractor's rights in relation to the matter. In connection with proceedings related to the matter (other than against Client) the Contractor shall use reputable advisers chosen by Client and, if Client requests, allow Client the exclusive conduct of the proceedings; and
- 23.8.4 the Contractor may not admit liability in respect of or settle the matter without first obtaining Client's written consent, such consent not to be unreasonably withheld or delayed.
- 23.9 The Contractor shall, subject as stated in **clause 23.10**, indemnify and hold harmless Client against all damages (including legal costs) that may be awarded or agreed to be paid to any third party in respect of any claim or action that the use of the Contractor Software by Client pursuant to this Agreement infringes any Intellectual Property Right of any third party. The Contractor shall provide such assistance and take such action as Client shall reasonably require to protect Client's interest in such eventuality.
- 23.10 If Client becomes aware of a matter which may give rise to a claim under the indemnity given at **clause 23.9**:
- 23.10.1 Client shall notify the Contractor immediately of the matter (stating in reasonable detail the nature of the matter and, if practicable, the amount claimed) and consult with the Contractor with respect to the matter; if the

matter has become the subject of proceedings, Client shall notify the Contractor as soon as practicable to enable the Contractor jointly to contest the proceedings;

23.10.2 Client shall provide to the Contractor and its advisers access to premises and personnel and to all relevant assets, documents and records that it possesses or controls to the extent necessary for the purposes of investigating the matter and enabling the Contractor to take the action referred to in this clause and the Contractor may take copies of the documents and records solely for this purpose;

23.10.3 Client shall take any action and institute any proceedings, and give any information and assistance that the Contractor may reasonably request to dispute, resist, appeal, compromise, defend, remedy or mitigate the matter or enforce against a person Client's rights in relation to the matter. In connection with proceedings related to the matter (other than against the Contractor) Client shall use reputable advisers chosen by the Contractor and, if the Contractor requests, allow the Contractor the exclusive conduct of the proceedings; and

23.10.4 Client may not admit liability in respect of or settle the matter without first obtaining the Contractor's written consent, such consent not to be unreasonably withheld nor delayed.

23.11 Notwithstanding any provision to the contrary, the Contractor shall retain the Intellectual Property Rights in any materials:

23.11.1 which it created prior to the Effective Date; or

23.11.2 which it has not created for Client or for the purposes of a Work Contract.

23.12 For the avoidance of doubt, the provisions of this **clause 23** shall survive the expiration or termination of this Agreement howsoever occasioned.

23.13 Client may request in writing the Contractor from time to time to procure a licence to use software for use in the Services specifically containing a right to assign such software to Client upon termination of the Agreement and the Contractor shall use its best endeavours to achieve the same at Client's cost.

23.14 **Client Data**

- 23.14.1 The Contractor acknowledges and agrees that Client Data (whether supplied by Client, or collected and/or processed by the Contractor pursuant to the Services) shall belong entirely and exclusively to Client (or, where applicable, a Client Affiliate).
- 23.14.2 The Contractor assigns to Client with full title guarantee, title to all present and future rights and interests in any database in which Client Data is held (if any), or shall procure that the first owner of any such database assigns it to Client on the same basis.
- 23.14.3 If the Contractor acquires, by whatever means (including operation of law), title to part or all of the Client Data, then the Contractor shall notify Client upon becoming aware of this and shall assign such Intellectual Property to Client as soon as reasonably practicable. The Contractor shall, at its own cost, do all such things and execute all documents and instruments requested by Client which are necessary to enable Client to obtain, defend or otherwise protect or enforce its Intellectual Property in the Client Data both during and after the term of this Agreement.
- 23.14.4 Client grants a non-exclusive, non-sublicensable, non-assignable, revocable licence to the Contractor to use Client Data during the term of this Agreement strictly to the extent necessary to facilitate the Contractor's delivery of the Services (and for such time post termination as is required for fulfilment of the Exit Plan). The Contractor shall not use the licensed materials for any other purpose.

24. **DOCUMENTATION/RECORDS**

- 24.1 The Contractor shall maintain the documentation and records required in accordance with and to the standards set out in each Work Contract.
- 24.2 Copies of the documentation listed in each Work Contract shall be provided to Client (in electronic format where practicable) in accordance with the procedures set out in each Work Contract.
- 24.3 The Contractor will develop and maintain all operational documentation necessary for provision of the Services, including the Project Materials.

25. **INSURANCE**

- 25.1 The Contractor shall maintain throughout the continuance of this Agreement insurance policies with reputable insurers covering all of the Contractor's risks pursuant to this Agreement. Such insurance policies (with the exception of any for automobile, property, crime and foreign liability shall contain a waiver of subrogation rights in favour of Client, save that the Contractor shall not be obliged to obtain a waiver of subrogation in respect of professional liability and crime policies. The Contractor shall bear any and all excesses, deductibles or franchises incorporated therein. The Contractor warrants that to the best of its knowledge, information and belief the insurance policies for automobile, property, crime and foreign liability cannot be provided by insurers with a wavier of subrogation rights.
- 25.2 The Contractor shall, if requested in writing at any time by Client, provide Client with evidence from its insurance brokers that the required coverage has been implemented and is in place. Such evidence shall be provided within 21 days of such request.
- 25.3 The Contractor shall give written notice to Client as soon as reasonably practicable and without undue delay in the event of cancellation or any change in the said policies which may affect Client's interest.
- 25.4 Nothing in this **clause 25** shall limit or relieve the Contractor or Client of their respective liabilities and obligations under this Agreement generally.
- 25.5 If the Contractor is in breach of **clause 25.1**, Client may pay any premiums required to keep such insurance in force or itself procure such insurance, and may in either case recover such reasonable amounts from the Contractor together with reasonable administration fees incurred forthwith upon written demand. Client may set off any such sums against sums payable to the Contractor at any time under this Agreement. Any action or inaction by Client under this clause shall not affect the liability of the Contractor pursuant to this Agreement.

The Contractor shall procure that the Client is named as an express or nominated beneficiary under all generally liability policies of insurance maintained by the Contractor.

26. **INDEMNITIES AND LIMITATIONS UPON LIABILITY**

- 26.1 Subject to the limitations of liability contained in this **clause 26** the Contractor shall indemnify and keep indemnified Client against any direct losses, damage, fines, costs

and expenses (including third party and customer claims) which arise from the Contractor's breach of this Agreement (including the Warranties) or from any Work Contract, or from the negligence of the Contractor, its employees, agents or subcontractors (whether or not Permitted Contractors). The Contractor acknowledges that such losses shall include:

- 26.1.1 the costs and expenses of migrating all or part of the Services back to Client or a third party;
- 26.1.2 the costs of all reasonable external consultancy, internal or external management, personnel and computer time, acceptance testing together with all reasonable costs associated therewith in any case necessarily and directly incurred to remedy the default;
- 26.1.3 any loss of revenue directly caused by the Contractor's default or breach of this Agreement or any Work Contract;
- 26.1.4 express savings set out in a Work Contract which the Contractor has agreed that Client would otherwise have made as a result of the provision of the Services in accordance with this Agreement or any Work Contract and which will not be realised due to the early termination of this Agreement or the Work Contract;
- 26.1.5 payments made by Client to a third party pursuant to Client's commitment to such third party (whether contractual or in accordance with Client's published compensation policy guidelines) and arising as a result of such breach or neglect by the Contractor;
- 26.1.6 any costs incurred as a result of Client implementing its rights contained in **clause 30**;
- 26.1.7 any fines imposed by, any Regulatory Authority in connection with any breach by Client of its regulatory requirements resulting from such act or omission by the Contractor;
- 26.1.8 any costs incurred by Client as a result of the Contractor using Intellectual Property of Client for purposes not specified by Client (where this causes Client to be in breach of obligations to third parties in respect of such Intellectual Property); and
- 26.1.9 costs incurred as a result of the loss, destruction or unauthorised disclosure of, or unauthorised access to, Personal Data by the Contractor or its personnel or as a result of any failure to comply with the provisions of Clause 15.7 (Data Protection);

provided that, in each case, Client uses its best endeavours to mitigate any such losses. References above to “Client” shall include any member of the Client Group.

26.2 [REDACTED]*

26.3 [REDACTED]*

26.4 [REDACTED]*

General

26.5 Except for those provisions expressly stated in this Agreement, all warranties, conditions, terms, representations, statements, undertakings and obligations whether express or implied by statute, common law, custom, usage or otherwise are all hereby excluded to the fullest extent permitted by law.

26.6 Nothing in this Agreement shall exclude or limit either Client’s or the Contractor’s liability for:

26.6.1 death or personal injury caused by the negligence of Client or the Contractor, as appropriate;

26.6.2 any matter which it would be illegal for Client or the Contractor, as appropriate, to limit and/or exclude or to attempt to limit and/or exclude its liability for; and/or

26.6.3 fraud.

26.7 The rights and remedies of each party given in this Agreement are cumulative and not exclusive of any rights or remedies granted by law save as otherwise expressly stated in this Agreement.

26.8 For the avoidance of doubt, the Contractor’s liability for a breach of this Agreement shall be reduced if and to the extent that a breach of this Agreement by the Contractor arises directly from a breach by Client of this Agreement, or a negligent act or omission by Client pursuant to this Agreement. However, the Contractor may not use this **clause 26.8** to avoid liability where the Contractor could reasonably have avoided its breach of this Agreement notwithstanding Client’s breach or negligent act or omission.

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

27. **DISASTER RECOVERY**
- 27.1 The Contractor shall with effect from the first Service Commencement Date arising pursuant to this Agreement at all times comply with and maintain the agreed BCP. Prior to this the Contractor will develop a first version of the BCP as part of the Transition Plan.
- 27.2 The parties shall, to the reasonable satisfaction and under the direction of Client, in addition to the requirements of **Schedule 8**, test the BCP at least once in each Contract Year to ensure that such plans remain adequate in accordance with the processes set out in **Schedule 8**.
28. **SUSPENSION OF SERVICES**
- 28.1 In the circumstances set out in **clause 28.2** Client may at any time during the term of this Agreement serve a notice upon the Contractor using the proforma shown in **Schedule 11** (a “**Suspension Notice**”) stating:
- 28.1.1 that it is Client’s intention to suspend the Services, or certain Service Elements;
 - 28.1.2 the reason for such suspension;
 - 28.1.3 the date it wishes to commence such action; and
 - 28.1.4 an indication of the time period which at that time it believes will be necessary for such suspension (this time frame shall not be binding upon Client).
- 28.2 Client may serve a Suspension Notice in the following circumstances:
- 28.2.1 Client is in breach of Regulations, or reasonably believes it is likely to be in breach of Regulations, as a consequence of the continuance of it receiving Services or the relevant Service Element;
 - 28.2.2 Client reasonably believes that there is a risk to the functioning of Client, or a risk to the confidentiality or probity of the information or data held, processed or utilised by Client for the performance of the Services; and/or
 - 28.2.3 the Contractor has failed to remedy a matter which is the subject of a Defects Notice and **clause 7.9** applies;

- 28.2.4 Client has a right to terminate a Work Contract, or this Agreement, as a consequence of the Contractor's material breach; and/or
- 28.2.5 Client wishes to suspend some or all of the Services in its sole discretion.
- 28.3 If Client serves a Suspension Notice, the Contractor will from the date specified in the Suspension Notice suspend the Services or the relevant Service Element(s). In the event that the Services or a relevant Service Element(s) are suspended, then from the time such suspension takes effect, the Contractor shall take no action in respect of such suspended Services or Service Elements save as reasonably directed or required by Client. Client agrees that it will minimise the scope of the suspension with regard to the Services to the maximum extent it reasonably can.
- 28.4 Client may cease at any time to require a Service or Service Element to be suspended and must do so where the reason in **clause 28.1.2** has ceased, to its reasonable satisfaction, to be operational. The Contractor shall resume such Services or Service Elements as soon as reasonably practicable following such notice from Client and in any event no longer than five Business Days following such notice.
- 28.5 If and to the extent that the cause of the suspension does not arise from a breach by the Contractor of any of its obligations under this Agreement (and always where the cause of suspension is pursuant to **clause 28.2.5**), in respect of the period during which Client requires the Services or relevant Service Elements to be suspended, Client shall, subject to **clause 28.6**, continue to pay all Charges that would otherwise fall due, provided that if and to the extent that the cause of the suspension arises from a breach by the Contractor of its obligations under this Agreement, during the period of suspension Client shall have no obligation to pay the Charges to the Contractor in respect of the suspended Services or Service Element(s).
- 28.6 The Contractor shall, in relation to this **clause 28**, seek to mitigate its costs to the extent reasonably possible and to the extent it is able to do so shall reduce the Charges for that period and in respect of those Services which are suspended by the amount of its saving. If the suspension occurs during an Implementation Period, the Contractor shall not incur any further unavoidable expenses with respect to the relevant Implementation Services without the prior written consent of Client.
- 28.7 The rights of each party under this **clause 28** are without prejudice to any of its other rights whether under this Agreement or at law. The parties agree that the correct exercise by Client of its suspension rights does not create any liability for Client other than as expressly provided for in this Agreement in respect of such suspension.

- 28.8 If the cause of suspension arises from **clause 28.2.5**, Client may require the Contractor to reduce staffing levels, Assets and other factors which incur cost, in order to mitigate the cost to Client of the suspension but Client shall be responsible for any unavoidable costs incurred as a consequence, subject to Contractor advising Client of the amount of such unavoidable costs in advance, to the extent that it is reasonably possible to determine or estimate such costs in advance.
- 28.9 In addition to its rights under **clause 28.1** Client shall have the right at its discretion, whereupon it must serve written notice on the Contractor, to delay all or specific elements of Implementation Services so as to extend the Implementation Period. If Client shall exercise its right in this regard the provisions of **clauses 28.5** and **28.6** shall apply in relation to the Implementation Charges.

29. **FORCE MAJEURE**

- 29.1 Subject to **clauses 29.2** and **29.3**, if either Client or the Contractor (the “**Affected party**” with the other of them being the “**Other party**” in this **clause 29**) is prevented, hindered or delayed from or in performing any of its obligations under this Agreement by Force Majeure, then:
 - 29.1.1 the Affected party’s specific obligations under this Agreement which are prevented, hindered or delayed by Force Majeure shall be suspended for so long as the Force Majeure continues (the “**Force Majeure Period**”) and only to the extent that the Affected party is so prevented, hindered or delayed subject always to complying with this **clause 29**;
 - 29.1.2 as soon as reasonably possible and in any event within one day after commencement of the Force Majeure, the Affected party shall notify the Other party in writing of the occurrence of the Force Majeure, the date of commencement of the Force Majeure and the effects and likely duration of the Force Majeure on its ability to perform its obligations under this Agreement;
 - 29.1.3 the Affected party shall use its reasonable endeavours to mitigate the effects of the Force Majeure upon the performance of its obligations under this Agreement and the Other party will use its reasonable endeavours to assist the Affected party with the aim of reducing the Force Majeure Period; and

- 29.1.4 as soon as reasonably possible and in any event within one day of cessation of the Force Majeure, the Affected party shall notify the Other party in writing of the cessation of the Force Majeure and shall resume performance of its obligations under this Agreement as soon as reasonably possible.
- 29.2 Without prejudice to **clause 29.3**, during or in relation to any Force Majeure Period, Client shall not be obliged to pay to the Contractor any sum due pursuant to **clause 21** in respect of the affected Service Elements to the extent that Client does not or is not able to receive the affected Service Elements.
- 29.3 If any Force Majeure preventing the Contractor from providing any or all of the Services in accordance with this Agreement:
- 29.3.1 prevails for a continuous period of three days, then Client shall be entitled to enforce its rights to step in, in accordance with the terms of **clause 30**, if Client reasonably believes that by enforcing its rights to step in it might mitigate the consequences of the Force Majeure; and/or
- 29.3.2 prevails for either a continuous period in excess of 45 days or 60 days in aggregate in any period of 365 days, then Client shall be entitled to terminate the affected Work Contract(s) by giving not less than 20 Business Days' notice in writing to the Contractor and the Contractor shall be entitled to terminate the provision of the Service Element(s) it is prevented from providing by such Force Majeure under the relevant Work Contracts on 30 days notice in writing to Client and the Charges payable under the relevant Work Contracts shall be adjusted accordingly through the Change Control Process;
- 29.4 "**Force Majeure**" shall mean any cause preventing a party from performing any or all of its obligations (other than payment) which is beyond its reasonable control and which arises from or is attributable to an act of God (any act, event, omission or accident which is expressed to be handled by a BCP or which the BCP is practicably capable of addressing, shall not, for the avoidance of doubt, give rise to Force Majeure) and which cannot be avoided by the party taking reasonable steps. The following causes preventing a party from performing any or all of its obligations shall not be Force Majeure; default or delay of the Affected party or subcontractors (unless the default or delay of the Affected party or a subcontractor is itself caused by an event of Force Majeure); strikes; lockouts or industrial action of Affected party's workforce; or any event attributable to the wilful act or neglect of the Affected party.

- 30. [REDACTED]*
- 30.1 [REDACTED]*
- 30.2 [REDACTED]*
- 30.3 [REDACTED]*
- 30.4 [REDACTED]*
- 30.5 [REDACTED]*
- 30.6 [REDACTED]*
- 30.7 [REDACTED]*
- 30.8 [REDACTED]*
- 30.9 [REDACTED]*
- 30.10 [REDACTED]*
- 30.11 [REDACTED]*
- 30.12 [REDACTED]*
- 30.13 [REDACTED]*
- 30.14 [REDACTED]*

31. **DISPUTE RESOLUTION**

31.1 If, during the term of this Agreement, a dispute arises between Client and the Contractor relating to this Agreement (including any Work Contract) and they cannot reach agreement, the unresolved matter will be escalated between them in accordance with this **clause 31**.

31.2 A dispute referred for determination under this **clause 31** relating to any Work Contract shall be escalated internally for resolution as follows:

- 31.2.1 by referral in writing (issued by either of Client and the Contractor) in the first instance to the persons designated as the stage 1 representative in **Annex 9** of the Work Contract the subject of the dispute;

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

- 31.2.2 if a dispute is not resolved within two Business Days of its referral under **clause 31.2.1**, or such longer period as may be agreed between the parties, either Client or the Contractor may refer the dispute in the next instance to the persons designated by each party as the stage 2 representative in **Annex 9** of the Work Contract the subject of the dispute;
 - 31.2.3 if a dispute is not resolved within five Business Days of its referral under **clause 31.2.2**, or such longer period as may be agreed between the parties, either Client or the Contractor may refer the dispute in the next instance to the persons designated by each party as the stage 3 representative in **Annex 9** of the Work Contract the subject of the dispute; and
 - 31.2.4 if a dispute is not resolved within five Business Days of its referral pursuant to **clause 31.2.3** or such longer period as may be agreed by the parties, either Client or the Contractor may refer the dispute pursuant to **clause 31.4**.
- 31.3 A dispute referred for determination under this **clause 31** relating to this Agreement shall be escalated internally for resolution as follows:
- 31.3.1 by referral in writing (issued by either Client or the Contractor) in the first instance to the persons designated as the stage one representative being:
 - Stage one representative - Client's Commercial/Contract Manager
 - the Contractor's Relationship Manager;
 - 31.3.2 if a dispute is not resolved within two Business Days of its referral under **clause 31.3.1**, or such longer period as may be agreed between the parties, either Client or the Contractor may refer the dispute in the next instance to the persons designated by each party as the stage 2 representative being:
 - Stage 2 representatives - Client's Head of Operations
 - the Contractor's Chief Operating Officer;
 - 31.3.3 if a dispute is not resolved within five Business Days of its referral under **clause 31.3.2**, or such longer period as may be agreed between the parties, either Client or the Contractor may refer the dispute in the next instance to the persons designated by each party as the stage 3 representative being:
 - Stage 3 representatives - Client's Operations/Managing Director
 - the Contractor's Executive Chairman or Chief Executive;

- 31.3.4 if a dispute is not resolved within five Business Days of its referral pursuant to **clause 31.3.3** or in each case such longer period as may be agreed by the parties, either Client or the Contractor may refer the dispute pursuant to **clause 31.4**.
- 31.4
- 31.4.1 If any dispute has not been resolved pursuant to **clause 31.2** or **31.3**, as appropriate, then, subject to **clause 31.6**, either of Client and the Contractor may by notice in writing to the other of them refer such dispute to the London Court of International Arbitration in accordance with the rules of the London Court of International Arbitration then in force.
- 31.4.2 The number of arbitrators will be three; each of Client and Contractor to appoint an arbitrator and the arbitrators so appointed to appoint the third.
- 31.4.3 The place of arbitration will be London and the language to be used in the arbitral proceedings will be English.
- 31.4.4 The parties hereby waive irrevocably:
- 31.4.4.1 any right of appeal under the Arbitration Act 1996 in relation to any award made by the arbitration tribunal appointed in accordance with this **clause 31.4**; and
- 31.4.4.2 any right to apply to the High Court under the Arbitration Act 1996 for the determination of any question of law arising in the course of any reference to arbitration under this clause.
- 31.5 Notwithstanding **clause 31.1** to **31.4**, either Client or the Contractor may, if it reasonably regards any dispute as being of sufficient importance, immediately escalate a dispute to stage 3 (as set out in **clauses 31.2.3** and **31.3.3**) and any escalation subsequent to such escalation shall be in accordance with **clauses 31.2.4**, **31.3.4** and **31.4**.
- 31.6 If either Client or the Contractor is unable to implement (or conclude) the arbitration provisions in **clause 31.5**, or is seeking injunctive or other similar equitable relief, whether pursuant to **clause 36.9** or otherwise, either of Client and the Contractor may resolve the matter pursuant to **clause 47.2** in the English courts.

32. **TERMINATION**

- 32.1 Subject to **clause 33.7**, Client may terminate this Agreement by written notice to the Contractor either in its whole, or in relation to one or more Work Contracts, or Service Elements detailed in a Work Contract, immediately if:
- 32.1.1 the Contractor is in material breach of any of the terms of this Agreement and, where the breach is capable of remedy, the Contractor fails to remedy such breach within 30 days after service of a written notice from Client specifying the breach and requiring it to be remedied;
 - 32.1.2 the Contractor makes a series of non-material breaches (which in aggregate have a material effect) and, following written notice of this served by Client upon the Contractor, the Contractor has not prepared and implemented a rectification plan which will prevent the reoccurrence of such non-material breaches within 30 days of the date of Client initial notice pursuant to this **clause 32.1.2**.
- 32.2 Client may by seven days' prior written notice served on the Contractor terminate this Agreement, subject to **clause 33.7**, either in its whole, or in relation to one or more of the Work Contracts, or Service Elements detailed in a Work Contract:
- 32.2.1 pursuant to its rights of termination expressly referenced in **clauses 7.11, 7.12, 9.4 and 15.3.3**, and **paragraph 6.3 in Schedule 4**;
 - 32.2.2 subject to **clause 32.3**, the Contractor has a change in its Control; and/or
 - 32.2.3 any Regulatory Authority prohibits Client from receiving Services (or services similar to the Services) and/or places limits or controls on Client which are commercially unacceptable to Client and such prohibition, limit or control arises from the Contractor's breach of **clause 15.1**.
- 32.3 It is understood between the parties that the equity securities of the Contractor may be the subject of a public offering during the term of the Agreement and Work Contracts.
- 32.3.1 It is agreed that in these circumstances Client may terminate the Agreement, by 60 Business Days' prior written notice, if:
 - 32.3.1.1 40% or more of the equity securities of the Contractor become owned or under the control of a single investor who is not an investor at the Effective Date provided that this shall not apply

to holdings of the equity securities of the Contractor by underwriters as a consequence of the initial public offering in their role as such, or holdings maintained by fund managers on behalf of unconnected groups of individual investors; and/or

32.3.1.2 7.5% of the equity securities of the Contractor become owned by a Client Competitor.

For the avoidance of doubt, any related costs incurred in implementing the Exit Plan shall not be charged to Client save to the extent that costs and/or an incentive fee are expressly stated to be payable by Client in the Exit Plan.

32.3.2 The Contractor agrees that it shall monitor shareholdings and senior management and if any of the criteria in **clauses 32.3.1.1 to 32.3.1.2** are fulfilled, the Contractor shall notify Client immediately in writing as soon as the Contractor becomes so aware.

32.3.3 Client agrees to exercise or waive its right to terminate pursuant to **clause 32.3.1.1** within 30 Business Days following written notice from the Contractor pursuant to this **clause 32.3** that a person or entity has obtained the percentage of total ownership of the equity securities of the Contractor specified above.

32.3.4 If the Contractor anticipates one of the events in **clause 32.3.1.1 to 32.3.1.2** occurring it may approach Client for consent to engage in such transaction, not to be unreasonably withheld or delayed. In deciding whether to consent and thereby waive its right to terminate pursuant to **clauses 32.3.1.1 and 32.3.1.2**, Client shall act reasonably. For the avoidance of doubt, Client may consider the nature of previous relationships with the entity, or the positioning of that entity's business in comparison with that of Client, when assessing reasonableness.

32.4 Either of Client and the Contractor (the "**Terminating Party**") may by written notice served on the other of them (the "**Defaulting Party**") terminate this Agreement immediately, subject to **clause 33.7**, if:

32.4.1 the Defaulting Party summons a meeting of its creditors, makes a proposal for a voluntary arrangement, becomes subject to any voluntary arrangement, is unable to pay its debts within the meaning of section 123 Insolvency Act 1986, has a receiver, manager, administrator or administrative receiver appointed over any of its assets, undertakings or income, has passed a

resolution for its winding-up (save for the purpose of a voluntary reconstruction or amalgamation), is subject to a bona fide petition presented to any Court for its winding-up which is not contested within 20 calendar days of being presented (save for the purpose of a voluntary reconstruction or amalgamation), is subject to a bona fide petition presented to any Court for its administration, has a provisional liquidator appointed, has a proposal made for a scheme of arrangement under section 425 Companies Act 1985 representing a compromise with its creditors or is the subject of a bona fide notice to strike off the register at Companies House or is subject to an administration order or other equivalent insolvency proceeding in the jurisdiction in which it is domiciled;

32.4.2 the Defaulting Party has any distraint, execution or other process levied or enforced on any of its property which is not contested or paid out within 20 calendar days of being levied or enforced;

32.4.3 the equivalent of any of the above occurs to the Defaulting Party under any jurisdiction to which that party is subject; or

32.4.4 the Defaulting Party ceases to trade.

33. **EFFECT OF TERMINATION**

33.1 The termination of this Agreement, or of a Work Contract, howsoever arising is without prejudice to the rights and remedies of any party accrued prior to termination.

33.2 The clauses in this Agreement which expressly or impliedly have effect after termination will continue to be enforceable notwithstanding termination.

33.3 Notwithstanding the service of notice to terminate this Agreement or a Work Contract pursuant to **clause 32** or any other express right of termination set out in this Agreement, the Contractor shall continue to provide the Services in strict accordance with the terms of this Agreement and relevant Work Contract until the date of termination of this Agreement or Work Contract and thereafter as required pursuant to **clause 33.7**.

33.4 Upon cessation of Services hereunder, each of Client and the Contractor shall return to the other all property of the other in its possession including Confidential Information and shall delete from its systems and/or destroy (as applicable) any Confidential Information which would otherwise remain on the Contractor's

Hardware. In addition, the Contractor shall comply with the handover and confidential destruction requirements contained in **paragraph 17 of Schedule 18**. This clause will not operate to the extent that such Confidential Information is required as part of the party's records for audit purposes, or for regulatory or legislative purposes subject to that party complying on an ongoing basis with the confidentiality obligation set out in **clause 36**.

- 33.5 The parties shall comply fully with the terms of the Exit Plan (both before and after the date of termination of this Agreement or Work Contract (as applicable)) to facilitate the handover of the Services (including any necessary migration) to Client or to a third party contractor. The Contractor's obligations in the Exit Plan shall be performed at no cost to Client save to the extent that costs and/or an incentive fee are expressed to be payable in the Exit Plan.
- 33.6 In addition to the provisions of **clause 33.5**, the Contractor shall provide such assistance as Client may reasonably require beyond any actions specified in the Exit Plan where this is necessary in order to ensure an effective handover of responsibility for the provision of the Services to Client or its nominee.
- 33.7 In the event that this Agreement is terminated by Client pursuant to **clause 32**, then notwithstanding such termination the Contractor shall continue to provide the Services or Service Elements under this Agreement (whether pursuant to one or more Work Contracts) for such period as Client may specify being a period no greater than 12 months after the relevant date of termination (such period being referred to as the "**Continuation Period**") and Client shall continue to pay the Charges and all sums due in respect of the relevant Services to the Contractor during the relevant Continuation Period at the rates (as varied from time to time in accordance with the terms of the Agreement) which are or would be applicable under this Agreement as though this Agreement or Work Contract(s) were continuing in full force and effect provided that the Contractor shall have no liability (financial or otherwise) in relation to any breach or non-performance of any of its obligations under this Agreement (whether caused by its negligence or otherwise) which continues beyond the date of termination of this Agreement or Work Contract into and during any Continuation Period to the extent that such breach which was pre-existing at the date of termination of this Agreement or Work Contract continues beyond the date of termination of this Agreement or Work Contract.
- 33.8 The Contractor shall indemnify and keep indemnified Client from and against all claims, liabilities, costs and expenses arising from or in connection with any claim made by the employees, agents or contractors of the Contractor against Client whether during or after the term of this Agreement.

- 33.9 Each clause in this **clause 33** shall be applied for:
- 33.9.1 both part termination of a Service Element or Service Elements, in which case this **clause 33** shall be applied solely in respect of such Service Element or Service Elements;
 - 33.9.2 termination of the entire Agreement; or
 - 33.9.3 termination of one or more Works Contract, in which case this **clause 33** shall be applied solely in respect of such terminated Work Contract(s).
- 33.10
- 33.10.1 In the event Client terminates this Agreement pursuant to **clause 32.4**, the Client may at its option exercise the rights set out in **Schedule 14** and Client and the Contractor shall act in accordance with the terms and principles set out in **Schedule 14**.
 - 33.10.2 The Contractor shall use all reasonable endeavours to arrange its affairs in relation to the provision of the Services so as to ensure that the rights of Client set out in **Schedule 14** may be exercised fully and effectively.

34. **FINANCIAL PROTECTION**

- 34.1 [REDACTED]*
- 34.2 [REDACTED]*
- 34.3 [REDACTED]*
- 34.4 [REDACTED]*
- 34.5 [REDACTED]*
- 34.6 [REDACTED]*

34.7 If in the reasonable opinion of Client's Finance Director or Chief Operating Officer or Operations Director, it believes (acting reasonably) that the Contractor's economic stability is at risk, such Client officers may from time to time, but no more than twice every twelve (12) months, request from the Contractor (and the Contractor shall promptly supply) a negative assurance report with respect to the Contractor's

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

economic stability. If Client is of the reasonable opinion that exceptional circumstances in the marketplace have materially affected Contractor's economic stability and Client has already exhausted its two requests for a negative assurance report within such twelve (12) month period, such Client officers may make additional requests for (and the Contractor shall promptly supply) the required confidential information. For the avoidance of doubt, all information provided in a negative assurance report is to be provided by Contractor within 10 Business Days, and shall be considered Confidential Information and notwithstanding anything to the contrary in the Agreement, except for disclosures compelled by law, Client's Finance Director or Chief Operating Officer or Operations Director may not disclose such confidential information to any other Client employee, except to those that are involved in managing the Client relationship. If there is a requirement to share information beyond this group that Client will seek the prior written consent of Contractor, which shall not be unreasonably withheld.

35. **EMPLOYEES**

Client Indemnity upon entry into the Agreement

35.1 The Client shall be liable for and shall indemnify the Contractor in respect of all and any Emoluments and Employment Liabilities arising from or in connection with:

the transfer or purported transfer of employment to the Contractor and/or its subcontractors of any person currently or previously employed or engaged by the Client or its contractors (other than the Contractor) (collectively referred to as the "**Client Staff**") arising by operation of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) and any equivalent or other laws, whether in the United Kingdom or India (hereinafter known as "**Employment Laws**"); and/or

35.1.1 any failure by the Client or its contractors to discharge in full any obligation to inform or consult appropriate representatives or employees about the transactions contemplated by this Agreement or its termination or any other matter.

35.2 [REDACTED]*

* Confidential treatment has been requested with respect to this portion of the agreement, and such confidential portion has been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

36. **CONFIDENTIALITY**

36.1 In consideration of the Confidential Information being made available to a party, such party undertakes that it will:

- 36.1.1 use the Confidential Information solely as necessary for the purposes of this Agreement and only disclose the Confidential Information to those persons who are required in the course of their duties to receive and consider same;
- 36.1.2 treat and safeguard as private and confidential all of the Confidential Information and not by any means whatsoever disclose or allow access to the Confidential Information (or permit such disclosure or access) to any person whatsoever without the prior written consent of the disclosing party, and in strict accordance with the terms of such consent;
- 36.1.3 not without the prior written consent of the disclosing party copy by any means whatsoever any of the Confidential Information supplied or disclosed to it otherwise than as shall be necessary to fulfil its obligations under this Agreement;
- 36.1.4 not make any commercial use of the Confidential Information or any part thereof save as agreed in writing or to carry out its obligations under this Agreement;
- 36.1.5 procure that any of its advisers, agents, directors or employees to whom disclosure of any Confidential Information is to be made agree prior to such disclosure, to be bound by the obligations of this Agreement as if they were a party hereto and the party receiving the Confidential Information will be responsible for any breach of such obligations as they apply to such persons; and
- 36.1.6 not reveal to any person other than as permitted by **clause 36.1.5**, or in accordance with **clause 36.3**, or make any public announcement:
 - 36.1.6.1 of the fact that it has requested or received any Confidential Information; or
 - 36.1.6.2 giving details of any terms or conditions of or other facts relating to the Confidential Information, or to its status, save as may be agreed between the parties in writing.

36.2 The Contractor undertakes not to use the Confidential Information to provide services to any company that is not Client, and acknowledges that Client will not give consent to any such use either verbally or in writing. Any such consent purported to be given by any employee or agent of Client will not be valid.

- 36.3 In the event that Client or the Contractor as appropriate provides prior written consent to allow the other of them to disclose Confidential Information to a third party, the other of them will ensure that those third parties execute a confidentiality agreement in the form of that contained in **Schedule 1**.
- 36.4 Within seven days of receipt of a written request from a party hereto, on termination of a Work Contract or this Agreement (as appropriate) each other party will, in relation to the Confidential Information held in connection with the relevant terminated Work Contract, or all Confidential Information following termination of this Agreement, return to the other parties all physical Confidential Information that is in its possession or under its custody and control and all copies thereof and will expunge any Confidential Information from any computer, word processor or other device, and all analyses, compilations, notes studies, memoranda or other documents prepared which contain Confidential Information will be destroyed and each party will deliver to the other parties a certificate signed by a director confirming compliance with the requirements of this **clause 36.4**. Notwithstanding the foregoing, each party's legal department shall be entitled to retain an archival copy of the Confidential Information in order to meet such party's legal or regulatory obligations or in order to comply with its obligations and enforce its rights hereunder.
- 36.5 Subject as stated in this clause, the provisions of **clause 36.1 to 36.3** will not restrict any disclosure required by or essential to comply with any law or the requirements of any governmental or regulatory authority acting within the scope of its powers, provided that:
- 36.5.1 if possible, for requirements not falling within the scope of **clause 36.5.2** Client or the Contractor, as appropriate, is given not less than five Business Days' prior written notice of such disclosure by the other of them that is affected, and the affected party in any event takes all necessary steps at its expense to limit disclosure to the minimum required;
- 36.5.2 for requirements arising in connection with an IPO or similar listing relating to the Contractor or any of its Affiliates, Client shall be given not less than five Business Days' prior written notice of such disclosure and shall fully consult with and take account of Client's views as to the nature and requirements for such disclosure so as to in any event take all necessary steps at the Contractor's expense to limit disclosure to the minimum required; and

- 36.5.3 the Contractor shall, in any event, not make any disclosure relating to the entering into of this Agreement and naming or identifying Client or any Affiliate of Client, prior to Client making such disclosure to its employees, such disclosure to be notified to the Contractor as soon as practicable.
- 36.6 Each of Client and the Contractor will be fully responsible for instituting, maintaining, implementing and enforcing all security or other measures to comply with its obligations under this **clause 36**.
- 36.7 Client makes no representation, express or implied, or gives any warranty with respect to the accuracy or completeness of Confidential Information supplied by Client or any oral communication in connection therewith. However, where the Contractor specifically advises Client in writing that it, acting reasonably, will be relying on the content of specific Confidential Information in the provision of the Services and Client acting reasonably confirms its agreement to this then the Contractor shall not be liable for any failure on its part to provide the Services in accordance with this Agreement to the extent that such failure is directly caused by errors or inaccuracy in such Confidential Information.
- 36.8 All Confidential Information supplied or disclosed by a party will remain the property of such party.
- 36.9 Without prejudice to any other rights or remedies under this Agreement, the parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this **clause 36**, and an affected party will be entitled without proof of special damage to the remedies of injunction, specific performance and other equitable relief for any threatened or actual breach of any such provision by any other party.
- 36.10 The Contractor acknowledges that Client may be subject to the FOIA both at the Effective Date and to a greater or lesser degree at a later date. The Contractor will act in accordance with the FOIA (and any other applicable codes of practice or guidance notified to the Contractor from time to time relating to the supply of information) to the extent that they apply to the Contractor's performance under this Agreement.
- 36.11 The Contractor agrees that without prejudice to the generality of this **clause 36**, the Contractor provisions of this **clause 36** are subject to the respective obligations and commitments of Client under the FOIA and where Client is managing a request thereunder, the Contractor shall provide any information reasonably required by Client in respect of such request, the Contractor to respond within five Business Days of any request by it for assistance in determining how to respond to a request for disclosure.

- 36.12 The Contractor shall and shall procure that its sub-contractors shall:
- 36.12.1 transfer any request for information, as defined under section 8 of the FOIA or the Environmental Information Regulations 2004, to Client as soon as practicable after receipt and in any event within five Business Days of receiving a request for information (and Client shall provide such explanations as the Contractor shall require to allow the Contractor to understand what information it needs to supply);
 - 36.12.2 provide Client with a copy of all information in its possession or power in the form that Client requires within five Business Days (or such other period as Client may specify) of Client requesting that information; and
 - 36.12.3 provide all necessary assistance as reasonably requested by Client to enable Client to respond to a request for information within the time for compliance set out in section 10 of the FOIA or the Environmental Information Regulations 2004.
- 36.13 The restrictions upon Confidential Information contained in this **clause 36** will continue to apply after the termination of this Agreement without limit in time until the relevant Confidential Information is no longer confidential (other than as a result of a breach by any party of their obligations under this Agreement).
- 36.14 Each of the parties warrant that it has not made or published any statement relating to, or disclosed any Confidential Information prior to the date of this Agreement which would constitute a breach of the duty of confidentiality under this Work Contract if it had occurred after the date of this Agreement.
- 36.15 During the final six months of the term of a Work Contract and/or the Agreement including during the period of any extension, or following a notice of termination of this Agreement or a Work Contract as appropriate being issued by either of Client or Contractor, Client may reveal Confidential Information to any third party to whom it is considering transferring the Service, provided that Client shall procure that any such third party first agrees in writing to comply with confidentiality obligations in terms equivalent to those contained in this **clause 36** for the benefit of the Contractor.

37. **ANNOUNCEMENTS/PUBLICITY**

Save as otherwise set out in this Agreement, no announcement, circular, advertisement or other publicity in connection with this Agreement, its subject matter, the fact that the parties are parties to it or any ancillary matter, including relating to a Work Contract, will be made or issued by or on behalf of Client or the Contractor (save, subject to what is set out in **clause 36.5**, as required by law) without the prior written consent of the Authorised Representative of the other of them (such consent not to be unreasonably withheld or delayed).

38. **ENTIRE AGREEMENT**

38.1 This Agreement and the Data Protection Agreement and all Work Contracts made under this Agreement contain all terms which the parties have agreed in relation to the subject matter of this Agreement, and supersede any prior written or oral agreements, representations or understandings between the parties in relation to such subject matter.

38.2 The parties acknowledge that this Agreement, the Data Protection Agreement and all Work Contracts made under this Agreement have not been entered into wholly or partly in reliance on, nor has any party been given any warranty, statement, promise or representation made by or on their behalf and other than as expressly set out in this Agreement, the Data Protection Agreement and all Work Contracts made under this Agreement. To the extent that any such warranties, statements, promises or representations have been given, the recipient party unconditionally and irrevocably waives any claims, rights or remedies which it might otherwise have in relation to them.

38.3 Nothing in this **clause 38** will exclude nor limit any liability which a party would otherwise have to another of the parties in respect of any statements made fraudulently.

39. **NOTICES**

Services of Contractual Notices

39.1 Any notice, demand or communication in connection with this Agreement will be in writing and may be delivered by hand, special delivery post, facsimile or email addressed to the recipient at its registered office to its address, facsimile number or email address as the case may be stated in **clause 39.4** below and will be marked for

the attention of the individual(s) stated in **clause 39.4** (or such other address or facsimile number or person which the recipient has notified in writing to the sender in accordance with this **clause 39**, to be received by the sender not less than seven Business Days before the notice is dispatched).

39.2 The notice, demand or communication will be deemed to have been duly served:

39.2.1 if delivered by hand, at the time of delivery;

39.2.2 if delivered by Special Delivery post, 48 hours after being posted or in the case of Airmail, ten Business Days after being posted;

39.2.3 if delivered by facsimile or email, at the time of transmission, provided that a confirming copy is sent by Special Delivery or Airmail post to the other party within 24 hours after transmission;

provided that, where in the case of delivery by hand or transmission by facsimile or email, such delivery or transmission occurs either after 4.00 pm GMT on a Business Day, or on a day other than a Business Day, service will be deemed to occur at 9.00 am GMT on the next following Business Day (such times being local time at the address of the recipient).

39.3 Service by facsimile or email is a valid means of service only where service of the original notice, demand or communication is not required.

39.4 The addresses and facsimile numbers for the parties are as follows:

Client

FAO The Company Secretary

Centrica plc

Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD

Facsimile: Upon Request

Email: (Upon Request)

Contractor

FAO The General Counsel

ExlService Holdings, Inc.

280 Park Avenue, 38th Floor, New York, NY 10017, USA

Facsimile: (+1) 212-277-7111

Email: (Upon Request)

39.5 For the avoidance of doubt the service of any notice in accordance with the above provisions on EXL US addressed to 280 Park Avenue, 38th Floor, New York, NY 10017, USA shall constitute effective service of such nature on the Contractor.

Service of Court Documents

- 39.6 For the avoidance of doubt, where proceedings have been issued in the Courts of England and Wales, the provisions of the Civil Procedure Rules must be complied with in respect of the service of documents in connection with those proceedings.
- 39.7 EXL US and EXL India irrevocably agrees that any claim form, order, judgment or other process (“**Service Document**”) may be sufficiently and effectively served on both EXL US and EXL India in connection with any proceedings in England and Wales arising out of or in any way connected after this Agreement (“**proceedings**”) by service on the United Kingdom service agent at ExlService (UK) Limited, Russell Bedford House, City Forum, 250 City Road, London EC1V 2QQ (the “**agent**” for service).
- 39.8 If the agent referred to in **clause 39.7** (or any replacement agent notified by EXL US and EXL India to Client in writing from time to time) ceases for any reason to act as such, EXL US and EXL India will forthwith appoint a replacement agent having an address for service in England or Wales and immediately notify Client of this change in writing.

40. WAIVER

- 40.1 The failure or delay by any party to this Agreement in exercising any right, power or remedy of that party under this Agreement will not in any circumstances impair such right, power or remedy nor operate as a waiver of it.
- 40.2 Subject as expressly provided in this Agreement the rights, powers and remedies provided in this Agreement are exclusive of any rights, powers and remedies provided by law.
- 40.3 Any waiver of a breach of, or default under, any of the terms of this Agreement will not be deemed a waiver of any subsequent breach or default and will in no way affect the other terms of this Agreement.

41. INVALIDITY AND SEVERABILITY

- 41.1 If at any time any clause or part of this Agreement or any Work Contract is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid or unenforceable in any respect under the law of England and Wales or India: that will not affect any other provisions of this Agreement or Work Contract which will remain in full force and effect except where it deprives one of the parties of a substantial part of the benefit intended to be derived by it from this Agreement or Work Contract without providing any corresponding benefit;

- 41.2 the parties will in good faith amend and, if necessary, novate this Agreement or Work Contract to reflect as nearly as possible the spirit and intention behind that illegal, invalid or unenforceable provision so that the amended clause complies with the laws of that jurisdiction; and
- 41.3 if the parties cannot agree upon the terms of any amendment or novation within six months of the date upon which a clause was determined to be wholly or partly illegal, invalid or unenforceable, then the parties agree to submit the terms of the amendment or novation to a mediator at the Centre for Effective Dispute Resolution for determination. The parties agree that the mediator's decision in this respect will be final and binding.
42. **ASSIGNABILITY**
- 42.1 The Contractor may not assign, delegate, transfer or otherwise dispose of any of its rights or responsibilities under this Agreement without the prior written consent of Client, such consent not to be unreasonably withheld or delayed.
- 42.2 Subject to **clause 42.4**, Client may without consent assign, delegate or transfer its rights or responsibilities under this Agreement to any member of the Client Group company from time to time provided that there is no change to the jurisdiction to which the Client must provide the Services and no change to the nature of Services being provided by the Contractor. Client will serve a written notice upon the Contractor prior to exercising its right pursuant to this **clause 42.2**.
- 42.3 Subject to **clause 42.4**, in the event that **clause 42.2** does not apply, Client may assign, delegate, transfer or otherwise dispose of its rights or responsibilities under this Agreement to any company from time to time provided that such company's most recently published balance sheets and a current credit rating (procured from Standard & Poors or an equivalent reputable international credit reference agency acceptable to both Client and the Contractor) collectively indicate to the reasonable satisfaction of Client and the Contractor that such company is sufficiently creditworthy to carry out the obligations of Client under this Agreement. Client will serve a written notice seeking consent from the Contractor prior to exercising its right pursuant to this **clause 42.3**, such consent not to be unreasonably withheld or delayed.

42.4 Client may not assign or transfer its rights or responsibilities under this Agreement to any of the ten largest UK-based entities whose sole or primary activities are the carrying on of the business of the provision of life insurance services or the ten largest UK-based entities whose sole or primary activities are the carrying on of the business of the provision general insurance services.

43. **GROUP BENEFIT**

43.1 Companies which are a member of the Client Group have the right to enforce any terms of this Agreement which confer a benefit upon them in accordance with the Contracts (Rights of Third Parties) Act 1999.

43.2 The parties reserve the right to rescind or vary this Agreement or waive, modify or vary any term of it without the consent of any Client Group companies (save for Client).

44. **SUBCONTRACTING**

44.1 The Contractor shall not be entitled to appoint a contractor or an agent for the provision of any part of the Services without the prior written consent of Client and, if Client grants such consent, the agent or contractor so appointed will be a "**Permitted Contractor**".

44.2 In the event that the Contractor appoints a Permitted Contractor the Contractor shall, as between Client and the Contractor, be liable for the acts or omissions of the Permitted Contractor as if they were the Contractor's own acts or omissions including compliance with the KPIs.

44.3 Each Permitted Contractor must enter into a confidentiality agreement with the Contractor for the benefit of Client, strictly in the form set out in **Schedule 1**. Until such a confidentiality agreement is signed the Permitted Contractor shall not commence its services for the Contractor and shall not be granted any access to any Confidential Information.

45. **NO PARTNERSHIP**

45.1 Nothing contained in this Agreement, and no action taken by the parties pursuant to this Agreement, will be deemed to constitute a relationship between the parties of partnership, joint venture, principal and agent or employer and employee. Neither of Client or the Contractor has, nor may it represent that it has, any authority to act or make any commitments on the other's behalf, other than as expressly stated in this Agreement or as required for the purposes of providing the Services pursuant to this Agreement.

46. **AMENDMENT**

46.1 No amendment to the Agreement will be effective unless it is agreed in writing and signed by a duly Authorised Representative of each of Client and the Contractor (who is in each case an individual of escalation stage 2 or higher in **clause 31.3**.)

47. **LAW AND JURISDICTION**

47.1 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement or of any Work Contract entered into pursuant to this Agreement will be governed by English law.

47.2 Subject to **clause 31.4**, the courts of England will have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement. The parties irrevocably agree to submit to that jurisdiction.

48. **COUNTERPARTS**

This Agreement may be entered into by the execution by the parties of this document, or by the execution by the parties of two or more identical copies of this document including by facsimile (in this latter case, each copy will be deemed to be a counterpart, and all such documents taken together will be deemed to form one contract).

49. **NON-SOLICITATION**

Save where agreed pursuant to an Exit Plan or where expressly permitted pursuant to **clause 33.10** and **Schedule 14**, Client and the Contractor each agree that they shall not during the term of this Agreement solicit for the purposes of employment members of staff of the other party. For the avoidance of doubt this shall not preclude either party from offering employment to any person approaching such party in response to a published advertisement (not specifically directed at the other party's employees) with no inducement or solicitation on the part of such party or as otherwise mutually agreed.

50. **[REDACTED]***

50.1 [REDACTED]*

50.2 [REDACTED]*

50.3 [REDACTED]*

50.4 [REDACTED]*

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

- 50.5 [REDACTED]*
- 50.6 [REDACTED]*
- 50.7 [REDACTED]*
- 50.8 [REDACTED]*
- 50.9 [REDACTED]*
- 50.10 [REDACTED]*

51. **CORPORATE RESPONSIBILITY**

- 51.1 The Contractor will comply with the CR Policy.
- 51.2 The Contractor shall allow during regular business hours the Client and any auditors or other advisers to the Client to access those portions of the Contractor's premises, personnel and relevant records dedicated to the Services as may be reasonably required in order to undertake verification of the Contractor's compliance with the CR Policy.
- 51.3 The Contractor shall provide the Client (and its auditors and other advisers) with all reasonable co-operation, access and assistance in relation to each audit. During any such audit, Client shall and shall cause its auditors and advisers to (1) comply with Contractor's security and confidentiality procedures and (2) conduct the audit with minimal disruption to Contractor's business and operations.

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

- 51.4 The Client shall provide at least five Business Days' notice of its intention to conduct an audit, unless a specific incident has been notified to the Client, which shall be identified to the Contractor, in which case the Client shall have the right to audit without notice.
- 51.5 The Contractor shall contract with its Contractors on terms providing an equivalent level of protection to the bribery and corruption aspects of the CR Policy, and use reasonable endeavours to contract with its suppliers on terms providing an equivalent level of protection to the other aspects of the CR Policy.
- 51.6 The Contractor shall, on request, provide to the Client details of its suppliers, subject to any rights of confidentiality to which the Contractor is subject.
- 51.7 The Contractor will investigate its Contractors' compliance with the CR Policy, and on request by the Client provide to the Client details of such compliance. The frequency of such investigations will be established by the Contractor based on a risk assessment of the relevant supplier, save that the Contractor shall investigate compliance with the CR Policy by any particular Contractor if reasonably requested by the Client.
- 51.8 In the event that the Contractor fails to comply with Clause 51.7, the Contractor shall procure that the Client or its auditors or other advisers be allowed access to the Contractor's suppliers in order to verify compliance by such suppliers with the CR Policy.
- 51.9 If the Client identifies, through an audit or otherwise, any failure by the Contractor or any supplier of the Contractor to comply with the CR Policy, and to the extent Contractor disputes such finding, such failure is finally determined pursuant to the Dispute Resolution Procedure, the Contractor will work with the Client to agree a rectification plan; provided that any such dispute by Contractor shall be immediately escalated to the parties "Stage 3 representatives" pursuant to clause 31.3.3.
- 51.10 If an appropriate rectification plan cannot be mutually agreed or the Contractor fails within a reasonable time to carry out the rectification plan, this will be deemed to be a material breach of contract by the Contractor, giving rise to a right of termination by the Client under Clause 32.1, provided always that if there is a failure by the Contractor or any supplier of the Contractor to comply with the bribery and corruption aspects of the CR Policy, then this will be deemed to be a material breach of contract by the Contractor giving rise to a right of termination by the Client without the need to work with the Contractor first to agree a rectification plan.

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- 52. **[REDACTED]***
 - 52.1 [REDACTED]*
 - 52.2 [REDACTED]*
 - 52.3 [REDACTED]*
 - 52.4 [REDACTED]*

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

52.5 [REDACTED]*

53. **CHANGE OF CONTROL OF CENTRICA AFFILIATES**

If Client sells or otherwise transfers ownership of an Affiliate who is using Contractor services, Client shall notify the Contractor of such transaction and the parties shall mutually agree upon any necessary segregation of the Services to address Client's confidentiality and security concerns with respect to such divested Affiliate; provided that Client shall be responsible for any reasonable costs incurred by Contractor to segregate the Services. The Contractor agrees that, if requested in writing by the Client, it will continue to provide the Services to the divested body on the terms of the relevant Work Contract(s) (including price except as provided in the sentence above) until, as a minimum, the expiry of the minimum term of the relevant Work Contract.

54. **CORPORATE SOCIAL RESPONSIBILITY**

Prior to the completion of each calendar year of this Agreement, the Contractor agrees to fund one or more charities or charitable works, in one or more of the jurisdictions of operation from which the Contractor provides the Services, up to an aggregate yearly maximum of [REDACTED]* United States Dollars for all such projects combined. The Contractor and Client shall work jointly to identify suitable projects and shall mutually agree upon the terms and conditions of such investment.

* Confidential treatment has been requested with respect to these portions of the agreement, and such confidential portions have been deleted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

CONTRACTOR FACILITY COSTS

If due to an increase in the amount of business Contractor performs for Centrica (e.g. an increase in FTEs or facility requirements) or pursuant to a request from Centrica for increased space, it is necessary for Contractor to acquire additional space for the Services or move the Services to a different Contractor facility, the parties shall determine and allocate appropriately the associated costs of such expansion or move pursuant to the Change Control Process. If Contractor seeks to move the Services to a different Contractor facility for reasons other than those noted in the preceding sentence, then Contractor shall be responsible for any associated costs in connection with such move.

For the avoidance of doubt any movement of the Services from one facility to another shall require Centrica's prior written consent.

AS WITNESS the hands of the duly authorised representatives of the parties on the date stated at the beginning of this Agreement. The signatories below are those of the representatives authorising the Agreement as at the Effective Date.

SIGNED by Nick Luff) /s/ Nick Luff
duly authorised to sign for and on behalf of)
CENTRICA plc)
in the presence of:)

SIGNED by Heather Rodgers) /s/ Heather Rodgers
duly authorised to sign for and on behalf of)
CENTRICA plc)
in the presence of:)

SIGNED by Rohit Kapoor) /s/ Rohit Kapoor
duly authorised to sign for and on behalf of)
EXLSERVICE HOLDINGS, INC.)
in the presence of:)

SIGNED by Pavan Bagai) /s/ Pavan Bagai
duly authorised to sign for and on behalf of)
exl Service.com (India) Private Limited)
in the presence of:)

SCHEDULE 1

THIRD PARTY CONFIDENTIALITY AGREEMENT

Confidentiality Agreement

between

[Disclosing Party]

and

[Third party]

BETWEEN:

- (1) [CONTRACTOR/CLIENT] registered number [NUMBER] whose registered office is at [ADDRESS] (the “**Disclosing Party**”) and includes its successors and assignees and any director, employee, affiliate, adviser, agent or contractor of it; and
- (2) [COMPANY] (registered number [NUMBER] whose registered office is at [ADDRESS] (the “**Company**”) and includes any director, employee, adviser or agent of it who receives Confidential Information from the Disclosing Party.

BACKGROUND:

- (A) The Disclosing Party entered into an agreement for the provision of certain services on [DATE] 2012 (the “**Framework Agreement**”).
- (B) The Disclosing Party entered into an agreement with the Company to provide certain services on [DATE] (the “**Supply Agreement**”).
- (C) The Disclosing Party may have disclosed or wish to disclose certain information to the Company which is confidential under the Framework Agreement and wishes to protect the confidentiality of such information in the manner set out in this Agreement.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. **Definitions**

1.1 For the purposes of this Agreement, the following words will have the meanings attributed to them in this **clause 1**:

“**Affiliate**” means any Subsidiary or Holding Company of a company and any Subsidiary of any such Holding Company

“**Confidential Information**” will mean and include:
(a) any information of confidential nature, including without limitation, documents, letters, plans, diagrams, sketches, drawings, photographs, models, specifications, software, programs, data and any other material bearing or

incorporating any information relating to the parties to the Framework Agreement and/or its know-how, business, affairs customers, suppliers and/or assets disclosed to the Company whether in writing, orally or by any other means by the Disclosing Party or any third party acting on its behalf, whether before, after or on the date of this Agreement;

(b) analyses, compilations, studies, notes and other documents prepared by the Company which contain or otherwise reflect or are generated from any such information specified in **paragraph (a)** above; and

(c) information of a confidential nature obtained by observation during visits to premises but will exclude any part of such disclosed information which (and which can be shown by documentary evidence):

- (i) is or becomes available in the public domain without breach of this Agreement by the Company;
- (ii) the Company can prove is lawfully in its possession free of any restriction as to its use or disclosure before the date of the disclosure; and
- (iii) is or was received by the Company from any third party not acting on behalf of the parties to the Framework Agreement having the right to disclose such information.

“Purpose” means the provision of certain services by the Company to the Disclosing Party pursuant to the Supply Agreement

“Subsidiary” and “Holding Company” will each have the same meaning as set out in section 1159 of the Companies Act 2006

1.2 References to statutes or statutory provisions will include any statutory modification or re-enactment thereof.

2. **Obligations of the Company**

2.1 In consideration of the Confidential Information being made available to the Company, the Company undertakes that it will:

- 2.1.1 use the Confidential Information solely as necessary for the Purpose and only disclose the Confidential Information to those persons who are required in the course of their duties to receive and consider same;
- 2.1.2 treat and safeguard as private and confidential all of the Confidential Information and not by any means whatsoever disclose or allow access to the Confidential Information (or permit such disclosure or access) to any person whatsoever without the prior written consent of the Disclosing Party, and in strict accordance with the terms of such consent;
- 2.1.3 not without the prior written consent of the Disclosing Party copy by any means whatsoever any of the Confidential Information supplied or disclosed to it;
- 2.1.4 not make any commercial use of the Confidential Information or any part thereof save as to carry out the functions for which it has been appointed under the Supply Agreement;
- 2.1.5 procure that any of its advisers, agents, directors or employees to whom disclosure of any Confidential Information is to be made agree prior to such disclosure, to be bound by the obligations of this Agreement as if they were a party hereto and the Company will be responsible for any breach of such obligations as they apply to such persons; and

- 2.1.6 not reveal to any person other than as permitted by **clause 3.1**, or make any public announcement:
 - 2.1.6.1 of the fact that any investigations or discussions are taking place concerning the Purpose;
 - 2.1.6.2 of the fact that it has carried out, is carrying out, or will carry out any work for or is or has been or may be associated in any way with the Disclosing Party or any of the other parties to the Framework Agreement;
 - 2.1.6.3 of the fact that it has requested or received any Confidential Information; or
 - 2.1.6.4 giving details of any terms or conditions of or other facts relating to the Purpose, or to its status.
 - 2.2 The Company undertakes not to use the Confidential Information to provide services to any company that is not a party to the Framework Agreement, and acknowledges that a party to the Framework Agreement will not give consent to any such use other than in writing.
 - 2.3 In the event that a party to the Framework Agreement provides prior written consent to allow the Company to disclose Confidential Information to a third party, the Company will ensure that those third parties are bound by the same obligations as bind the Company in this Agreement.
 - 2.4 Within seven days of receipt of a written request from the Disclosing Party, if the Framework Agreement or a work contract arising pursuant to it shall have terminated, the Company will return to the Disclosing Party all physical Confidential Information that the Disclosing Party shall request and is in its possession or under its custody and control and all copies thereof and will expunge any Confidential Information from any computer, word processor or other device, and all analyses, compilations, notes studies, memoranda or other documents prepared by the Company which contain Confidential Information will be destroyed and the Company will deliver to the Disclosing Party a certificate signed by a director confirming compliance with the requirements of this **clause 2.4**.
3. **General**
- 3.1 The provisions of **clause 2** will not restrict any disclosure required by or essential to comply with any law or the requirements of any governmental or regulatory authority acting within the scope of its powers, provided that the Disclosing Party is given not less than five working days' prior written notice of such disclosure and the Company in any event takes all necessary steps at its expense to limit disclosure to the minimum required.

- 3.2 The Company will be fully responsible for instituting, maintaining, implementing and enforcing all security or other measures to comply with its obligations under this Agreement.
- 3.3 The Company undertakes to comply with all relevant provisions of the Data Protection Act 1998 in relation to this Agreement and the Confidential Information. The Company will not take any action in relation to this Agreement and the Confidential Information which will put or may cause [**the Disclosing Party/Centrica plc**] or any of its Affiliates to be in breach of section 105 of the Utilities Act 2000.
- 3.4 The Disclosing Party makes no representation, express or implied, or gives any warranty with respect to the accuracy or completeness of the Confidential Information or any oral communication in connection therewith and the Company hereby undertakes to the Disclosing Party to waive any liability which may be incurred by reason of the Company's use of, or reliance upon, the Confidential Information.
- 3.5 All Confidential Information supplied or disclosed by the Disclosing Party will remain the property of the appropriate party to the Framework Agreement.
- 3.6 This Agreement is personal to and may not be assigned by the Company in whole or in part.
- 3.7 Nothing in this Agreement will confer, or is intended to confer, on any third party (save for any party to the Framework Agreement whose Confidential Information is disclosed hereunder) any benefit or right to enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999.

4. Remedies

- 4.1 The Company undertakes to indemnify any party to the Framework Agreement whose Confidential Information is disclosed hereunder at all times from any loss, all actions, proceedings, claims, demands, costs, awards and damages arising directly or indirectly from any breach or non-performance of its obligations under this Agreement.
- 4.2 Without prejudice to any other rights or remedies which any party to the Framework Agreement whose Confidential Information is disclosed hereunder may have, the Company acknowledges and agrees that damages would not be an adequate remedy for any breach by the Company of the provisions of this Agreement, and such party will be entitled without proof of special damage to the remedies of injunction, specific performance and other equitable relief for any threatened or actual breach of any such provision by the Company.

- 4.3 Any failure or delay by the Disclosing Party or a party acquiring rights by virtue of **clause 3.7** hereof in exercising any right, power or privilege hereunder will not constitute a waiver hereunder, nor will any single or partial exercise thereof preclude any further exercise of any right, power or privilege.
- 4.4 Neither the Disclosing Party nor any other party to the Framework Agreement is under any obligation to reimburse the Company nor will it be liable for any expenses, costs, damages or losses incurred by the Company.
5. **Term and Notices**
- 5.1 This Agreement will remain in force until both parties agree that it may be terminated.
- 5.2 In the event that the parties agree that the Agreement may be terminated in accordance with **clause 5.1** above, the Disclosing Party must each provide the other parties to the Framework Agreement with written notice of the termination one month prior to the termination date.
- 5.3 All notices served by the Company or the Disclosing Party under this Agreement will be in writing, sent by facsimile or first-class registered or recorded delivery post, in the case of the Disclosing Party, to [DETAILS] marked for the attention of the Company Secretary, and in the case of the Company, to the address set out in this Agreement.
6. **Severability**
- 6.1 If any term or provision in this Agreement is held to be illegal or unenforceable, in whole or in part, under any enactment or rule of law or otherwise, such term or provision (or part thereof) will to that extent be deemed not to form part of this Agreement but the enforceability of the remainder of this Agreement will not be affected.
7. **Governing Law**
- 7.1 This Agreement will be exclusively governed by and construed in accordance with the laws of England and Wales and each of the Parties hereto submit to the exclusive jurisdiction of the English Courts.

AS WITNESS this Agreement has been signed on behalf of each party by its duly authorised representatives.

For and on behalf of
The Disclosing Party

For and on behalf of
The Company

SCHEDULE 2

FORMATION OF WORK CONTRACTS

1. Introduction
 - 1.1 The purpose of this **Schedule 2** is to establish the process for Client and the Contractor to agree and enter into Work Contracts during the term of the Agreement.
 - 1.2 This **Schedule 2** contains standard principles which must be incorporated into all Work Contracts, save where the standard principle is not relevant to a particular Work Contract.
 - 1.3 The Contractor shall not be obliged to enter into Work Contracts for services then not performed by the Contractor for Client. For the avoidance of doubt, the Contractor shall be obligated to agree to increased volumes of Services then being performed for Client (in accordance with the relevant Work Contract).
 - 1.4 Unless otherwise agreed in writing, Client and the Contractor shall each bear their own costs in developing new Work Contracts in accordance with this **Schedule 2**.
2. **Methodology**
 - 2.1 Each Work Contract will be structured in the way set out in the pro forma Work Contract contained in **Schedule 15** and shall as a minimum include clauses and or Annexes dealing with the following:
 - 2.1.1 the specification of the required Services;
 - 2.1.2 the volume forecasting provisions relevant to the required Services;
 - 2.1.3 Service Levels, KPIs and Service Credits (to be determined as set out in this **Schedule 2**);
 - 2.1.4 reporting and quality monitoring;
 - 2.1.5 network solution;
 - 2.1.6 governance structure specific to that Work Contract;
 - 2.1.7 escalation levels for the Dispute Management Procedure specific to that Work Contract;

- 2.1.8 business continuity;
- 2.1.9 Initial Term;
- 2.1.10 a Transition Plan detailing how the services are to be taken up by the Contractor, including volumes, staffing and ramp-up;
- 2.1.11 Charges; and
- 2.1.12 knowledge transfer.

2.2 In this **Schedule 2** the following expressions shall have the following meanings:

- “New Work Contract Notice”** a written notice served by Client upon the Contractor stating that it wishes to implement a new Work Contract
- “Development Committee”** the committee comprising individuals from Client and the Contractor which has primary responsibility for developing Work Contracts
- “Development Plan”** a plan developed pursuant to **paragraphs 3.2, 3.3 and 3.4** which will set out the parties’ responsibilities for developing a new Work Contract
- “Sign Off Procedure”** the procedure for the formal sign off of documents, as is set out in **paragraph 4.**

3. **Process for Agreeing Work Contracts**

- 3.1 Whenever Client requires, Client may serve a New Work Contract Notice upon the Contractor which shall include a summary of Client’s requirements (including anticipated timescales) and details or material assumptions or facts upon which Client has based its requirements.
- 3.2 The Contractor shall acknowledge any New Work Contract Notice within two Business Days of the date of the New Work Contract Notice and shall arrange to meet with Client at Client’s offices (or at such other location reasonably specified by Client) within 10 Business Days of a New Work Contract Notice being served. The purpose of this first meeting shall be:
 - 3.2.1 for Client to provide a comprehensive briefing to the Contractor upon its requirement for new Services and for Client to set out the scope of the proposed new Work Contract;

- 3.2.2 for Client and the Contractor to commence the joint development of a Development Plan dealing with the points specified below in **paragraph 3.3**;
 - 3.2.3 to agree the personnel to comprise the Development Committee. Save as otherwise agreed by the parties, the Development Committee shall comprise an equal number of suitably senior employees of each of the parties from the relevant operational areas. Each party will ensure that the individuals appointed to the Development Committee are appropriately skilled and have the requisite authority to manage their party's responsibilities in relation to the development of the new Work Contract; and
 - 3.2.4 to establish the meeting requirements of the Development Committee (in default of specific agreement the Development Committee shall meet once per week by teleconference or videoconference and once per Month in person (unless an in-person meeting is requested by Client)).
- 3.3 The Development Plan shall include as a minimum:
- 3.3.1 detailed timescales for development of the new Work Contract to enable the agreed go-live date for the proposed Services to be achieved; and
 - 3.3.2 allocations of responsibility for developing the legal framework and commercial input of the new Work Contract (the presumption being, unless otherwise required by Client, or where set out to the contrary in this **Schedule 2**, that the Contractor shall complete the commercial input for approval by Client).
- 3.4 The Contractor shall have the primary responsibility for issuing a first draft Work Contract in a form containing substantially the same clauses as the draft Work Contract contained in **Schedule 15**, modified to incorporate the specific requirements identified in the New Work Contract Notice and agreed in subsequent meetings. **Paragraphs 5 to 15** contain guidance upon specific areas to be dealt with in the new Work Contract and the Contractor shall address all such issues in the first draft Work Contract. The Contractor shall issue the first draft Work Contract within 20 Business Days of the meeting referred to in **paragraph 3.2**.

- 3.5 Client shall comment upon the first draft Work Contract as soon as reasonably practicable and the parties shall work together to agree any changes suggested by Client. The Contractor shall continue to issue revisions of the new Work Contract, including the issues described in **paragraphs 5 to 15** until the completed new Work Contract can be signed off by Client in accordance with the Sign Off Procedure.
- 3.6 The Development Committee shall continue to meet in accordance with the timetable agreed pursuant to **paragraph 3.2.4** until Client approves via the Sign Off Procedure the new Work Contract, which shall incorporate the outputs from the parties' implementation of **paragraphs 5 to 15**.
- 3.7 Any dispute between the parties as to the terms of any proposed Work Contract may, at any time, be referred by either party to the Dispute Resolution Procedure.
- 3.8 If the Contractor concludes it cannot or does not wish to provide the Services the subject of a New Work Contract Notice it shall promptly notify Client in writing, stating its reasons. Upon the Contractor notifying Client in accordance with this **paragraph 3.8**, the New Work Contract Notice shall be withdrawn.

4. **Sign Off Procedure**

- 4.1 No document submitted by the Contractor shall be included in a new Work Contract without sign-off by Client in accordance with this **paragraph 4**.
- 4.2 Where a document is being prepared by the Contractor for sign-off by Client, the Contractor shall:
 - 4.2.1 co-operate with Client's internal review and Sign-Off Procedure;
 - 4.2.2 undertake a familiarisation exercise with the nominated person or people responsible for approval of the relevant document, as identified by Client; and
 - 4.2.3 discuss and attempt to agree any necessary modifications to the relevant document suggested by Client's business units.
- 4.3 Client has sole discretion as to whether to sign off documents submitted by the Contractor.
- 4.4 Any document submitted for sign-off by the Contractor and signed off by Client may not be modified without consent in writing by Client.

4.5 Any completed new Work Contract must be signed by an Authorised Representative from both parties.

5. **Transition Plan**

5.1 The Contractor shall be responsible for developing a Transition Plan, to be included in **Annex 1** of each Work Contract, which will enable the Services to be transferred to and performed by the Contractor, and drafted to ensure that such transition will be orderly, smooth and cause minimum disruption to Client's performance of its ordinary business.

5.2 The parties shall agree the Transition Project Plan in writing.

5.3 In completing the Transition Plan, the Contractor shall include the following elements in **Annex 1** of each Work Contract:

5.3.1 general principles;

5.3.2 Implementation Services;

5.3.3 the proposed target Service Commencement Date for each Service Element comprised in a Work Contract (if all of the Services comprised in a Work Contract are intended to commence on the same date, this shall be identified);

5.3.4 any Dependencies, set against the specific Service Elements to which they relate;

5.3.5 Implementation Charges;

5.3.6 Deliverables;

5.3.7 Key Milestones;

5.3.8 Payment Milestones;

5.3.9 Programme Management;

5.3.10 Programme Governance and the Project Transition Team; and

5.3.11 the Liquidated Damages applicable to each failure to achieve a Key Milestone, reflecting the agreed principles set out in **paragraph 6** below.

- 5.4 In completing the Transition Plan the parties shall ensure that all significant obligations or Dependencies are contained in the Transition Plan.
- 5.5 Upon receipt of the Contractor's first draft Transition Plan (and, to the extent that there is a change, each subsequent draft Transition Plan), Client shall identify (by asterisk) any Key Milestone which is driven by Client's requirement to comply with UK Regulations. In the event that the Contractor disagrees with such classification, the parties shall attempt to resolve the issue through the Dispute Resolution Procedure.
6. **Liquidated Damages**
- 6.1 Save where agreed by the parties in writing to the contrary, the parties shall identify up to six Key Milestones for each Work Contract in the Transition Plan relating to that Work Contract, the scheduled achievement of which shall be spaced throughout the Implementation Period. The Key Milestones shall be developed from the Transition Project Plan.
- 6.2 The aggregate amount of Liquidated Damages applicable to Key Milestones in each Work Contract shall be 10% of the forecast Implementation Charges for that Work Contract. The amount of Liquidated Damages applicable to each Key Milestone shall be 10% of the forecast Implementation Charges for the specific Work Contract in question divided by the number of the Key Milestones, and shall be set out in **paragraph 6 of Annex 1** of each Work Contract or Grouped Work Contract.
- 6.3 The level of performance against a Key Milestone to trigger the payment of Liquidated Damages to Client under a Work Contract shall be qualified by a de minimis tolerance level to afford the Contractor a small degree of comfort, which will be set out in the Work Contract.
- 6.4 The level of performance against a Key Milestone to trigger a right to terminate a Work Contract shall be set at a level which indicates to Client, acting reasonably, that the Contractor is highly unlikely to complete the Implementation Services by the targeted Service Commencement Date for that Work Contract.
7. **Service Levels**
- 7.1 The Service Levels for each Work Contract (to be included in **Annex 5** to each Work Contract) shall be determined as set out in this **paragraph 7**.
- 7.2 The parties, acting reasonably, in good faith and without unreasonable delay, shall agree the Service Levels with which the Contractor shall be obliged to comply.

- 7.3 Taking into account the levels of service expected from a supplier using Good Industry Practice, Client shall prepare draft Service Levels for each proposed Service covered by the relevant Work Contract and deliver them to the Contractor for review.
- 7.4 The Contractor shall review the draft Service Levels and provide any comments relating to the same within ten Business Days of their receipt from Client. Client shall incorporate any changes to these reasonably required by the Contractor and redeliver them to the Contractor within ten Business Days of their receipt. This shall continue until the Service Levels have been agreed. Client shall not be required to incorporate any changes to Service Levels which are set at a level to enable Client to comply with UK Regulations.
- 7.5 The Contractor shall, in accordance with **paragraph 14**, identify any dependencies which it, acting reasonably, believes must be satisfied by Client for the Contractor to achieve the KPIs set out in the Service Levels. Any dependencies must be submitted to Client as part of the Sign Off Procedure.
- 7.6 In assessing the levels of performance to be reflected in the Service Levels, the parties shall agree measurable and objective benchmarks against which the Services may be measured.
- 7.7 The Contract shall ensure that the Services are provided in such a manner and with such resources to cope with the volume requirements which the parties agree are to be set out in **Annex 3** of the new Work Contract.
- 7.8 Notwithstanding the Service Levels detailed in the Work Contract, the performance of the Services shall comply with the general standards of performance required in the Agreement and any other requirements set out in this Agreement and/or the relevant Work Contract.
8. **Key Performance Indicators (KPIs)**
- 8.1 KPIs are a set minimum level of performance, a failure to meet which is likely to have a direct impact on the business performance of Client and which the Contractor shall be expected to achieve in providing the Services.
- 8.2 The Contractor shall award Service Credits at the agreed rate as detailed in **Annex 5** of each Work Contract for non-achievement of the KPIs.

- 8.3 Each KPI shall have three levels of performance:
- 8.3.1 a standard performance level above which no Service Credit will be payable by the Contractor and below which a Service Credit will become due to be paid by the Contractor;
 - 8.3.2 a lower performance level below which a Service Credit (higher in value than that developed pursuant to **paragraph 8.3.1**) will become due to be paid by the Contractor, in substitution to the Service Credit developed pursuant to **paragraph 8.3.1**; and
 - 8.3.3 a base performance level below which Client shall have the right to terminate for material breach pursuant to **clause 32.1.1**. If Client terminates pursuant to this **paragraph 8.3.3**, Client shall not also claim a Service Credit for the KPI giving rise to such termination right.
- 8.4 In accordance with and subject to **clause 7.11**, the Contractor shall be afforded a period of three months (the “**Consolidation Period**”) following the first Service Commencement Date of a Service Element the subject of a particular Work Contract, during which time, other than in relation to those KPIs highlighted as applying in the table of KPIs in **paragraph 4** of **Annex 5** of each Work Contract, the Service Credit regimes outlined shall not apply. Performance and remedies during the Consolidation Period shall be as set out in **clause 7.11**, together with any specific provisions contained in the Work Contract. At the end of the Consolidation Period, the Service Credit regimes shall come into force.
9. **Service Credits**
- 9.1 Service Credits shall be specified in **Annex 5** of each Work Contract and shall be determined as part of the agreed processes laid out in this **paragraph 9** which outline the principles underpinning the calculation of Service Credits.
- 9.2 Service Credits shall be capped at a maximum of 10% of the total Monthly ongoing Service Charges. Any Service Credits owing to Client shall be offset against the next Monthly invoice to be submitted to Client.
- 9.3 Regulatory-driven KPIs, identified as such in the table of KPIs in **paragraph 4** of **Annex 5** of each Work Contract, shall not have Service Credits attached. Failure to meet such KPIs shall give rise to a right for Client to be indemnified pursuant to **clause 26.1.7** and to terminate for material breach pursuant to **clause 32.1.1**.
- 9.4 Subject to **paragraph 8.4**, Service Credits shall be charged for all periods where the service for each individual KPI is below the agreed service target level.

- 9.5 All Service Credits shall be calculated on a Monthly basis, unless stated otherwise in a Work Contract. For daily and weekly reported KPIs, performance shall be consolidated to a Monthly average for the purpose of the application of Service Credits or termination, unless otherwise stated in the Work Contract. Unless otherwise stated in a Work Contract a failure by the Contractor to achieve a daily or weekly reported KPI shall not give rise to Service Credits or termination, instead the Monthly average for that KPI shall determine whether a Service Credit becomes payable or a right to terminate arises.
- 9.6 Each KPI shall have a monetary value or percentage of billed Service Charges against it (which may differ from KPI to KPI, ie weighted, as agreed between the parties). The value for each Service Credit shall be calculated as follows:
- 9.6.1 unless agreed by the parties in writing to the contrary, for each Work Contract between four and eight KPIs shall be identified by Client (typically during the Implementation Period) as having a Service Credit attached;
 - 9.6.2 the aggregate monetary value of all Service Credits in any Month shall not exceed 10% of the Month's Service Charges for that Month for that Work Contract;
 - 9.6.3 the notional monetary value associated with each KPI in a given Month (the "**Individual Service Credit Charge**"), shall be 15% of that Month's Service Charge and be divided according to weightings across the total number of KPIs.

Example:

If there were five equally weighted KPIs, each would carry a 3% Individual Service Credit Charge. If three KPIs were missed, the Service Credit for that Month would be 9% of Service Charges billed by the Contractor during that Month. If, however, all five KPIs were missed, the Service Credit for that Month would be 10%, as that is the maximum Service Credit in any one Month.

- 9.7 For each KPI the Work Contract shall set down a tolerance level between the required KPI performance and the point at which the Service Credit is triggered. This tolerance shall usually be set to allow an underperformance of around 1 to 2% below the KPI Level.

9.8 Where the Contractor is within the tolerance level specified in **paragraph 9.7** above, it shall be expected to put in place appropriate corrective actions to bring performance back up to the level required by the specified KPI.

9.9 Each KPI shall also have lower levels of performance set out in the Work Contract which will trigger an increased Service Credit which shall represent the Individual Service Credit Charge multiplied by 150%, provided that the cap set out in **paragraph 9.6.2** shall still apply. This increased Service Credit trigger shall be set at a level that represents a serious failure to deliver the Service Level, but may nonetheless be capable of being remedied.

Example:

Calculation of a Service Credit based upon a total invoice value in the previous Month of £100,000 (where 15% of the previous Monthly invoice value is £15,000):

If there were five equally weighted KPIs, this gives an Individual Service Credit Charge of £3,000.

<u>KPI</u>	<u>Service Level</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Termination</u>
Time to complete Transaction A	95% of transactions to be completed within two hours of receipt	Less than 94% of transactions to be completed within two hours of receipt	Less than 90% of transactions to be completed within two hours of receipt	Less than 70% of transaction to be completed within two hours of receipt

If the performance was that 94.5% of transactions were completed within two hours of receipt, then no Service Credit would be due.

If the performance was that 92.5% of transactions were completed within two hours of receipt, then a Service Credit of £3,000 would be due.

If the performance was that 87% of transactions were completed within two hours of receipt, then a Service Credit of £4,500 would be due.

If the performance was 62.5% of transactions were completed within two hours of receipt, then Client would have a right of termination.

10. **Service Charges**

10.1 The Contractor and Client shall use the Pricing Model and the Bandwidth Costs Grid set out in **Schedule 7**, the methodology and Work Contract Requirements set out in this **paragraph 10**, and the productivity targets required by Client, to agree the Service Charges for each Work Contract. Where the proposed services are not Anticipated Services and the existing pricing methodology does not apply, the parties shall agree the Service Charges for the new Work Contract to the extent possible in accordance with the underlying principles of this **paragraph 10**.

10.2 In determining the Service Charges applicable to a Work Contract, the parties shall follow the methodology set out below:

Step 1: Client shall complete the Work Contract Requirements as shown below for one of the scenarios shown in the Service Charges Grid in **Annex 6** of **Schedule 15**.

WORK CONTRACT REQUIREMENTS

Total Number of FTE's (across all work contracts)

Bandwidth requirement per seat (kbps)

Profiles Mix (as %)

Voice
Data Entry
Standard BPO
Complex BPO
Blended

Duration of Process Training (weeks)

Voice
Data Entry
Standard BPO
Complex BPO
Blended

Management Support Ratios

Team Lead (ratio to Front Line Agents)
Floor Walker (ratio to Front Line Agents)
QA (ratio to Front Line Agents)
Business Improvement/6 sigma/Black Belts (ratio to Front Line Agents)
Operations Manager (ratio to Front Line Agents)
AVP (ratio to Front Line Agents)
VP (ratio to Front Line Agents)
Trainer (ratio to Front Line Agents)

Number of hours worked

Every weekday
Every weekend

Step 2: Client shall provide the completed Work Contract Requirements Table to the Contractor.

Step 3: The Contractor shall take the values from the Work Contract Requirements Table and insert them into the Pricing Menu Framework Spreadsheet (included as a CD in the Agreed Documents), at the tab labelled "Work Contract Pricing".

Step 4: By inserting the values at step 3 above, the spreadsheet generates an "Output". The Contractor shall take the value shown in cell D5 at the tab labelled "Output" in the Pricing Menu Framework Spreadsheet and insert it into the relevant section of the Service Charges Grid.

Step 5: The Contractor shall calculate the values for each of the remaining 19 scenarios in the Service Charges Grid by amending the rows entitled "Total Number of FTEs" and "Number of Hours Worked" and Input the "outputs" into the Service Charges Grid.

- 10.3 If the Pricing Model does not directly relate to the Services which are the subject of a New Work Contract Notice, then the parties shall agree new pricing based upon the underlying principles contained in the Pricing Model. In particular, to the extent that the Contractor cannot achieve a 19.2 hour window for any Services other than Anticipated Services, such Services shall not use the 19.2 hour assumptions in their pricing and the number of productive hours per FTE in cell B16 in the tab labelled Pricing Menu in the Pricing Menu Framework Spreadsheet shall be amended accordingly. For the avoidance of doubt, this is the only value that should change when determining charges because of non achievement of the 19.2 hour window.
- 10.4 If Client believes that the Contractor is not adhering to the methodology set out in **clauses 10.1 to 10.3** above, Client may refer the matter for resolution pursuant to the Dispute Resolution Procedure.
11. **Intentionally Deleted**
- 11.1
12. **Grouped Work Contracts**
- 12.1 From time to time Client may identify that certain new Work Contract(s) be grouped with other existing or future Work Contracts for certain specified reasons. The parties shall agree the extent and terms of any such grouping.
- 12.2 If a Work Contract is to be grouped, the extent and purpose of such grouping shall be explicitly set out in such Work Contract.
13. **Parties to a new Work Contract**
- 13.1 Client (or a member of Client Group) and the Contractor shall always be party to a new Work Contract.
- 13.2 If an Affiliate of Client is to be the recipient of Services pursuant to a Work Contract, Client may require that such Affiliate is also made party to such Work Contract.

14. **Dependencies**

14.1 The Contractor shall identify any Dependencies within the control of Client Group which the Contractor considers may impact upon any part of the Transition Plan, the Transition Project Plan or the performance of the Services.

14.2 Any Dependencies agreed between the parties shall be identified against the specific Service or Service element to which they relate in the Work Contract. Client shall not be obliged to agree to any general dependency.

15. **Agreed Documents**

15.1 If as a consequence of agreeing a new Work Contract, new documents need to be included as Agreed Documents, the parties shall prepare and agree a new bundle of Agreed Documents which each party shall sign entitled "Agreed Documents Relating to Work Contract [Ref]".

SCHEDULE 3

IS REQUIREMENTS AND SYSTEM SECURITY

PART A – INTRODUCTION

The purpose of this **Schedule 3** is to outline the required design of the Network, servers, shared services and desktop hardware infrastructure provided by the Contractor and the provision of the Network connectivity for remote access by the Contractor to the business applications provided by Client.

In addition to the High-Level Design set out in this **Schedule 3, Annex 7** of each Work Contract shall set out any detailed requirements specific to a Work Contract or Grouped Work Contract.

PART B – DEFINITIONS

In this Schedule, the following expressions shall have the following meanings:

“**Altiris Server**” means the caching engine for the Desktop PCs and other equipment specified in the Technical Solution, being based upon a CISCO CE-511-K9 server with the following hardware specification:

- (a) CE-511-K9: Content Engine 511, (1) 80G SATA Drive, AC Pwr, ACNS;
- (b) CE-511-DISK-80GB x 2 (=) 160GB: 160-GB SATA disk for Cisco 511 Content Engine;

“**Business Hours**” means the agreed hours during which Services are to be provided plus any additional hours the parties agree that the IS Services need to be available;

“**Client Applications**” means all of the applications provided by Client to the Contractor for the IS Services as set out in **paragraph 3.2 of Part C** and **Annex 7** of the relevant Work Contract;

“**Clients’ Data Centres**” means the location where Client holds its customer data, these being situated in Slough and Heathrow;

“**Client Funded Technology**” means the applications, systems, technology specific to either Work Contract or Grouped Work Contracts to be used solely for Client and which shall be charged to Client by the Contractor at cost (being the purchase price of the item, evidenced with receipts);

“**Contractor’s Helpdesk**” means the Contractor’s 1st Level trouble ticket logging and Fault management team that takes details of the Faults, attempts to resolve them and then refers the Faults to 2nd Level Diagnostics where necessary;

“**CRM**” means customer relationship management;

“**CMS**” means change management system;

“**Degrading Service**” means the point at which the Contractor is unable to meet the IS Service Levels;

“**Fault**” means an issue that is reported to the Contractor’s Helpdesk that prevents the Service Systems from functioning;

“**IS**” means information systems;

“**IS Services**” means the actions required of the Contractor pursuant to this **Schedule 3**;

“**IS Service Levels**” means the service levels applicable to Service Systems, as set out in this **Schedule 3** and **Annex 7** of each Work Contract;

“**IT Work Stream Lead**” means the shift controller in charge of the Contractor’s Helpdesk;

“**LAN Elements**” means all of the local Network components within the Contractor’s Premises;

“**Last Mile Loops**” means the connections between routers and the relevant point of presence (to the MPLS cloud) in both the Client’s Data Centres and the Contractor’s Premises;

“**Level 1 Contract**” means the representative notified by Client to Contractor from time to time;

“**Level 2 Contract**” means the representative notified by Client to Contractor from time to time;

“**MTTR**” means the mean time taken to repair a Fault and to restore the IS Service to full functionality from the time at which the Fault is reported to the Contractor’s Helpdesk;

“**Management and Statistical Information**” means all information that is required to enable Client to analyse and monitor the IS Services;

“**Network**” means the MPLS (Multi Protocol Label Switching) cloud and connections between the routers (including the Last Mile Loop);

“**Network Business Uptime**” means the Network availability achieved by the Contractor to deliver the Services as part of the technical solution during the Business Hours;

“**Network Components**” means the individual elements of the Network;

“**Predicted Data Traffic Flows**” means up to 40kbps per concurrent peak login access;

“Production/Business Downtime” means a situation where a Fault results in one or more seats from which Services are being provided being adversely affected so that the productive time as defined by the IS Service Level is affected;

“Response Time” means the time from when a Fault is tagged to the time that 1st Level Diagnostics are commenced;

“Service Systems” means all of the applications, servers, routers and Network components identified by the Technical Solution, that are used by the Contractor or a subcontractor acting on behalf of the Contractor to provide the Services;

“Tagging” means assigning a ticket to a particular call reporting a Fault which must be done at the time the Fault is reported to the Contractor’s Helpdesk;

“TAT” (turn around time) means the time taken from the Fault being tagged to the time at which the Fault is resolved;

“Technical Solution” means the Network servers, shared services and desktop hardware infrastructure provided by the Contractor and the provision of the Network connectivity by the Contractor for remote access to business applications provided by Client;

“Technical Solution Document” means the document which sets out the Technical Solution which when agreed and executed by the parties shall become an Agreed Document to be included in the Agreed Document Bundle;

“Technology Refresh” means the review by the Contractor and Client of all technology in use by the Contractor to provide the Services with a view to updating it with later models (where required by Client) and mutually agreed by the Contractor and Client acting reasonably;

“UK Technical Solution” means the Network components that are in the Client’s Data Centres in the UK, excluding the routers supplied, installed and maintained by the Contractor;

“WAN Roundtrip Latency” means the period of time that it takes for a network packet to travel across the Network edge to edge;

“1st Level Diagnostics” means the observation of an IS problem by the relevant service helpdesk team, whereby an agent notes symptoms and errors, with a view to providing an initial analysis of the Fault; and

“2nd Level Diagnostics” means the escalated Fault process whereby a specialist for a particular type of Fault attempts to resolve the Fault following analysis by 1st Level Diagnostics.

Any and all references to the “Technical Solution” and the “Technical Solution Document” shall refer to the thin client solution as detailed in Agreed Document: SAPH1206 HIGH LEVEL DESIGN PROJECT SAPPHIRE B.

PART C – THE TECHNICAL SOLUTION

This part of **Schedule 3** sets out the Contractor’s and Client’s obligations in respect of the Technical Solution, in particular the Network, servers, shared services and desktop hardware infrastructure provided by the Contractor and the provision of the Network connectivity for remote access by the Contractor to the business applications provided by Client, the Client Applications and the provision of software and licences.

1. The Contractor’s Obligations

- 1.1 The Contractor shall be responsible for the design, implementation and maintenance of the Technical Solution, which shall be set out in the Technical Solution Document.
- 1.2 The Contractor shall design, implement, maintain and manage the Technical Solution in accordance with Client’s requirements, as set out in **paragraph 2** below (the “**High-Level Principles**”).
- 1.3 For the avoidance of doubt, the High-Level Principles shall not change unless there are technical reasons for change that would prevent the Contractor from delivering the Technical Solution in accordance with them. In the event that such a change is required, it must be agreed by both parties in accordance with the Change Control Procedure.
- 1.4 The Contractor shall provide and pay for the Desktop PC hardware identified in the Technical Solution Document and/or the relevant Work Contracts.
- 1.5 There shall be a Technology Refresh every four years, this four year period being triggered from the date of acceptance of such Desktop PCs and/or other equipment in accordance with **clause 8** of the Agreement. Refresh of Client Funded Technology shall be at Client’s cost. Refresh of all other technology will be at the Contractor’s cost. Enhancements or additional requirements to those set out in this **Schedule 3** and the Technical Solution will be subject to Change Control.
- 1.6 Any re-work or replacement costs associated to the Client Funded Technology which result from the Contractor’s failure to procure the appropriate and/or specified Network capacity or to properly implement and maintain such Network capacity will be at the Contractor’s cost.

2. The High-Level Principles

The Contractor shall adhere to the following High-Level Principles in designing and implementing the Technical Solution:

Network

- 2.1 The Contractor shall build and deliver the Network (including an International Multi Protocol Label Switching (MPLS)) suitable for the delivery of Network connectivity for remote access to the business applications provided by Client.
- 2.2 The Contractor shall connect to the UK Technical Solution located in Client's Data Centres.
- 2.3 The Network shall be fully resilient and provide for full disaster recovery processes (as shall be set out in the relevant Business Continuity Plan). Based on the initial bandwidth assessment of international bandwidth requirements and for resilience and disaster recovery, the Contractor shall ensure that the minimum sized bandwidth on the Last Mile Loops shall be 34Mb to support up to 35Kbps for peak concurrent login access from the desktop. Both parties will evaluate the new bandwidth requirement based on the thin client Technology Solution and any change in Service Charges due to addition or deletion of the international bandwidth will be done by a separate change control, subject to establishing utilization trend analysis on the thin client architecture and commercial viability of making such changes with the service provider. The Network shall be fully resilient and provide for full disaster recovery processes (as shall be set out in the relevant Business Continuity Plan). For resilience and disaster recovery, the Contractor shall ensure that the minimum sized bandwidth on the Last Mile Loops shall be 34Mb to support up to 40Kbps for peak concurrent login access from the desktop. Network shall also support "Voice Over IP" traffic with an appropriate class of service. The required bandwidth for per concurrent voice login will be agreed separately as per each applicable Work Contract.
- 2.4 The Network shall be of sufficient capacity to support the Predicted Data Traffic Flows predicted by Client of up to 40Kbps for per peak concurrent login and to allow the Contractor to provide the Services in accordance with the terms of the Agreement and shall allow Client to increase the volume and level of the Services at any time in accordance with the provisions of **Annex 3** of each Work Contract. For the avoidance of doubt the Contractor will be responsible for increasing the Network capacity if it believes it is necessary to supply the Volume Forecast agreed in accordance with **Annex 3** of each Work Contract. In the event that Client becomes

aware that the volume and/or level of the Services will increase, or that the Network capacity needs to be increased, it shall notify the Contractor and the Contractor shall increase the Network capacity as soon as possible. This usually takes twelve weeks, working along with the technology infrastructure service provider(s). Any change to cost, as a result of such change shall be dealt with by way of Change Control.

- 2.5 The Contractor shall supply, manage and maintain all of the Network Components that it includes in the Technical Solution.
- 2.6 The Contractor shall ensure that the Technical Solution is fit for the purpose of providing the Services.
- 2.7 The Local Area Network in the Contractor's Premises (the "LAN") shall be separated physically from the rest of the Contractor's customer network by the Contractor. A restricted and controlled access to the Contractor's training room infrastructure, network and systems management infrastructure for Fault Management and reporting and to the Contractor's Shared Services (such as, ERP, email, Planet, ATLAS and others) will be permitted through a secured firewall interconnect.
- 2.8 The Contractor shall ensure that there are no single points of failure in the Technical Solution, including the LAN Elements provided in the Contractor's Premises, the Network and the Last Mile Loops by ensuring that they have built in resilience. Wherever such resilience and redundancies cannot be inherently built into the Technical Solution (eg at the Desktop hardware and LAN access switches layer) the Contractor will advise Client and ensure provision for adequate on-site spares at the relevant Premises to ensure minimum degrading service and production/business downtime.
- 2.9 The Contractor shall provide Client with remote access to "performance management tools" for monitoring purposes. For the purposes of this paragraph, the "performance management tools" shall be those tools agreed by Client and the Contractor from time to time, which allow Client to fully monitor performance of the IS Services.
- 2.10 Client reserves the right to run those Tests set out in Part D below and to require the Contractor to carry out any remedial work required after the Tests at no cost to Client.
- 2.11 The Technical Solution shall be capable of scaling to support future requirements (such as adding additional Desktop PCs and other components to the Network infrastructure) and shall be capable of significant growth in terms of the number of seats and bandwidth requirements. This will exclude Client provided business applications and Client provided related infrastructure.

2.12 Browser based access to the Contractor's shared applications from the Desktop PCs and System Network management for the Clients LAN and WAN will be permitted in the Technical Solution through a secure interconnected firewall infrastructure.

Training Rooms

2.13 The Contractor will provide Client with two dedicated training areas in each of the Premises, which shall each be used solely for Staff providing the Services.

2.14 INTENTIONALLY DELETED.

2.15 INTENTIONALLY DELETED.

Network Latency and Resilience

2.16 The Contractor shall provide the IS Services in such a way that it shall automatically re-route IS Services via alternative routes in the event of any one Network link failing. This shall appear seamless to the local agents and to Client.

2.17 The Contractor shall route traffic over the Network. To maintain quality of data transmission the Contractor shall, at Client's request and cost, provide an additional 30% spare bandwidth over that which is required to provide the Services at each stage of the Transition Plan with the total bandwidth that has been planned for the steady state operations based upon the business ramp up plan and the resultant number of peak concurrent FTE logins received from the business operations has been reached.

2.18 The Contractor shall aim for an average WAN Roundtrip Latency of 175 to 240 milliseconds on the Network edge to edge. For the purposes of this Agreement, the WAN Roundtrip Latency shall not exceed 260 milliseconds.

Applications

2.19 The Contractor shall supply, manage and maintain the Desktop PC hardware and other application based hardware to be used by it to provide the Technical Solution.

2.20 The Contractor shall ensure that the specification of the Desktop PCs is as set out below and may be based upon an HP DC 7100 or its equivalent with the following features: Contractor can use any make and model of desktop PC as long as the specification supports and will continue to support the Microsoft Remote Desktop Protocol (RDP) and the PC monitor will support and will continue to support 1024 X 768 resolutions or higher.

- Pentium 4 / 1.7Ghz processor

- 512MB RAM
- 40Gb Hard Disk
- Graphics adapter/display supporting 1024x768 resolution 32-bit colour
- Integrated network adapter with PXE support (ability to boot from network)
- Integrated audio support
- Support for removable drives such as floppy disk, CD or DVD
- USB 2.0 support

2.21 The Contractor shall supply, install, manage and maintain the requisite number of servers that shall be agreed for the Technical Solution. The server hardware shall be based upon an HP DL 380 G4 with 4GB RAM, 2x72Gb 15k Disks Raid 1, ILO Board and Dual Ethernet (at least 1Gb network interface) or its equivalent.

2.22 Client shall provide the Contractor with those Client Applications that are identified as necessary in the Technical Solution.

2.23 The Contractor shall provide and fully manage the individual routers identified in the Technical Solution Document within Client's Data Centres.

Security

2.24 The Contractor shall ensure that access to all Service Systems is strictly controlled to protect the Service Systems from viruses, intrusion, hacking, intentional damage and tampering by either the Contractor's Staff or a third party. Client shall ensure that the reciprocal access controls are built in to protect the Service Systems from any vulnerabilities, viruses, intrusion, hacking, intentional damage and tampering by either Client's staff or a third party.

2.25 The Contractor shall provide Client with details of all security measures it employs. In the event that Client believes, acting reasonably, that the Contractor is not taking adequate measures to protect the security of the Service Systems, it may request that the Contractor change the methods and procedures it employs and/or require the

Contractor to take additional steps to protect the Service Systems. For the avoidance of doubt, the Contractor shall be required to pay for any changes and/or modifications that are reasonably required by Client to ensure the security of the Service Systems.

2.26 The Contractor shall ensure that the Service Systems are fitted with firewalls and routers of a sufficient standard sufficient to protect the Service Systems.

2.27 The Contractor shall maintain and keep current any and all solutions agreed with Client to protect the security of the Service Systems.

2.28 The Contractor shall, at Client's request, encrypt all Data Flows edge to edge between the Contractor's Premises and Client's Data Centres using 3DES or AES. For the avoidance of doubt, the cost of such encryption shall be at no extra cost to Client. In the event that the Contractor would like to change the method of encryption that it uses from 3DES or AES, it must obtain the prior written consent of Client and the costs associated with such change shall be dealt with through the Change Control process.

2.29 Client shall provide a secure environment for the location of the Contractor's routers in Client's Data Centres.

2.30 The Contractor shall ensure that the Technical Solution complies with BS7799/ISO17799.

Service Management

2.31 The Contractor shall provide Client with all business operations management and statistical information by way of an online web portal, which the Contractor shall ensure is sufficiently detailed to enable Client to monitor and obtain and analyse the IS Services at any time. Client shall access such information via a restricted/remote access to the Contractor's network equipment and tools and through reports in a format and with a frequency that will be agreed by the parties.

3. Client Obligations

Software and Licences

3.1 Subject to **paragraph 3.2** below, the Contractor shall be responsible for providing the physical Desktop PCs and the software and/or licences that are required (other than those shown at paragraph 3.2 below) to perform the Services in accordance with the terms of this Agreement. Any such software that the Contractor wishes to load

on to the Desktop PCs that is not set out in the Technical Solution must be approved by the Client prior to the Contractor loading it onto any of the Service Systems. Such approval shall not be unreasonably withheld upon receipt of suitable evidence from the Contractor that the proposed software will have no impact to the service provided to the Client or compliance with the Client's security policy. For the avoidance of doubt the installation by the Contractor of OS patches or AV software/signature updates is exempt from this paragraph 3.1. The Client requires the Contractor to keep records of these updates which can be requested by the Client when deemed fit the Contractor shall be responsible for providing the physical Desktop PCs and the software and/or licences that are required (other than those shown at **paragraph 3.2** below) to perform the Services in accordance with the terms of this Agreement. Any such software that the Contractor wishes to load on to the Desktop PCs that is not set out in the Technical Solution shall be approved and tested by Client before Client prepares an Altiris image of the new Desktop and the Contractor loads it onto any of the Service Systems.

3.2 Client shall provide the Contractor with all of the software licences required for the Desktop PCs and servers as detailed in the Technical Solution and **Annex 7** of the relevant Work Contract.

4. **Acceptance Criteria**

4.1 The Technical Solution shall be deemed to be accepted by Client when all IS related Testable Outputs set out in the Transition Plan have been carried out and completed to the satisfaction of Client.

4.2 During the tests detailed in **Part D** of this **Schedule 3** and through migration of the Services, the Contractor shall ensure that the Technical Solution meets the requirements set out in this **Schedule 3** in respect of bandwidth, quality and security.

PART D – SYSTEM TESTING

This part of **Schedule 3** details the IS testing requirements with which the Contractor shall comply.

Testing

1. The Contractor and Client shall test the Technical Solution in accordance with the terms and timescales set out in the Transition Plan.

2. From time to time Client may undertake, at its own cost, full testing of the Network, servers and desktop hardware infrastructure specifically as part of the Technical

Solution infrastructure provided by the Contractor to Client for the Technical Solution (“**Security Penetration Test**”). The Security Penetration Test may be undertaken by a third party on behalf of Client.

3. In the event that, as a result of a Security Penetration Test, Client becomes aware that changes to the Network and/or Technical Solution are required to ensure that the Service Systems are secure, it shall notify the Contractor in writing, and the Contractor shall promptly take steps to implement the changes identified by Client and update any relevant document, at no cost to Client.

PART E – HELPDESK AND FAULT RESOLUTION

Part E of this **Schedule 3** sets out the Contractor’s and Client’s obligations in respect of the IS Service Levels, the requisite IS support in India and the UK (where relevant) and the way in which they interact. It also sets out the way in which Faults shall be resolved and the provisions applicable to resolution.

1. IS Service Levels

- 1.1 The Contractor and Client shall agree the IS Service Levels applicable to the Technical Solution and the IS Services. These IS Service Levels shall act as a continual performance measurement of the systems underlying the Services.
- 1.2 The IS Service Levels shall detail the infrastructure and operational requirements that are required in order to meet the Business Hours that may be agreed from time to time between Client and the Contractor. The IS Service Levels shall not cover any systems, applications infrastructure, remote access enablement to the Client provided business applications and connectivity where, in each case, it is completely under Client’s control.
- 1.3 The agreed IS Service Levels that the Contractor shall deliver shall be set out in **Annex 7** of each Work Contract. IS Service Levels relating to Service System availability shall be based upon delivering no less than 99.5% of those hours for which the Contractor is obliged to provide the Services in accordance with this Agreement and/or the relevant Work Contract.
- 1.4 During the Consolidation Period the IS Service Levels for each Work Contract relating to Service System availability shall be lowered to 98% of those hours for which the Contractor is obliged to provide the Services in accordance with this Agreement and/or the relevant Work Contract, to enable the Service Systems to stabilise and Fault resolution channels to be implemented.

- 1.5 As set out in **Schedule 6**, the parties shall hold monthly reviews to ensure that the following IS Service Levels are being met and controlled:
- 1.5.1 Fault to fix resolution; and
 - 1.5.2 Network latency and availability.
- 1.6 For the avoidance of doubt, the terms and conditions applicable to the Service Levels set out in the Agreement and/or any Work Contract shall also apply to the IS Service Levels.

2. Service Level calculation and reporting

2.1 The Contractor and Client shall calculate whether the IS Service Levels have been met by using the following assumptions to calculate uptime, where relevant:

- 2.1.1 the number of business hours per day = actual business hours;
- 2.1.2 business minutes per day = number of business hours per day x 60 x number of FTE;
- 2.1.3 number of downtime minutes = clock downtime minutes x number of agents on the process;
- 2.1.4 uptime = business minutes per day – number of downtime minutes;
- 2.1.5 number of business days in a year = 365 for a service level review/year;
- 2.1.6 business uptime % = (Uptime / Business minutes per day) x 100;
- 2.1.7 business uptime is tracked on a daily basis, reported weekly.

Daily Worked Example:

- (i) The number of business hours per day: 18; Number of Agents: 100
- (ii) Business minutes per day = $18 \times 60 \times 100 = 108000$
- (iii) Clock downtime minutes = $5 \times 100 = 500$
- (iv) Uptime = $108000 - 500 = 107500$
- (v) Business uptime% = $(107500 / 108000) \times 100$
- (vi) Business uptime (single day) = 99.53%

Weekly Worked Example:

- (i) Number of business hours per day: 18; Number of Agents: 100
- (ii) Business minutes per day = $18 \times 60 \times 100 = 108000$
- (iii) Business minutes per week = $108000 \times 6 = 648000$
- (iv) Clock downtime Minutes = $20 \times 100 = 2000$
- (v) Uptime = $648000 - 2000 = 646000$
- (vi) Business uptime% = $(646000/648000) \times 100$
- (vii) Business uptime (single week) = 99.69%

3. **Support and the Helpdesk**

3.1 The Contractor shall provide the support and helpdesk services set out in this **Part E**.

3.2 The Contractor shall provide the following to support the IS Services:

- 3.2.1 skilled and qualified resources to provide 1st and 2nd Level Diagnostics;
- 3.2.2 skilled and qualified resources to categorise Faults and resolve all types of infrastructure issue;
- 3.2.3 operational centralised helpdesk support as set out below;
- 3.2.4 an operational NOC (Network Operations Centre) to monitor all of the Contractor's Service Systems, connectivity and performance;
- 3.2.5 all information reasonably required by Client to assist it with the resolution of Faults. This shall initially be provided by telephone and subsequently by email, fax, or any other means agreed by Client;
- 3.2.6 monitoring and reporting of IS Service Levels;
- 3.2.7 a trouble ticket management system that can be used to co-ordinate or interface with Client's Open-View system or a remote access to the Client HP Open-View trouble ticket system;
- 3.2.8 a trouble ticket management system using the "Service Now Tool";
- 3.2.9 a single point of contact for all implementation and Fault management; and

3.2.10 the Contractor's Helpdesk.

3.3 Client shall provide the following to support the IS Services:

3.3.1 information reasonably requested by the Contractor to assist with the resolution of Faults. This shall be provided by telephone, email or such other means as agreed by Client;

3.3.2 skilled and qualified resources to provide 1st and 2nd Level Diagnostics, Fault categorisation and resolution of all infrastructure issues relating to the UK Technical Solution.

4. **Fault Classification**

4.1 The Contractor and Client shall classify Faults by priority. Priorities shall range from Priority 1, which is the most serious, to Priority 4, which has the lowest priority. All classifications of Fault (irrespective of priorities) are treated in the same way, but have different response times and escalation levels as described below.

4.2 The Contractor shall assign Fault categories based on the perceived effect on the Services. The following Fault priorities and definitions shall be adopted:

Priority 1 – This priority covers any Fault reported, which is causing severe service degradation or production downtime of 20% or higher. A Fault shall be categorized as Priority 1 when there is critical impact on the service infrastructure, there is a critical impact to a large part of the business or an entire service is unavailable. Priority 1 Faults cause critical business impact and/or severe financial impact and are not therefore constrained by the time of day when they occur. They include:

4.2.1 total outage;

4.2.2 whole platform or system unavailability;

4.2.3 failure of infrastructure or backbone Network;

4.2.4 air-conditioning, power or a distribution Network not being available; and

4.2.5 the inability of a whole team or site to function.

Example:

50% or more of the production affected due to a power failure on the floor

50% or more of the production affected due to failure of a LAN switch.

Priority 2 – This priority covers any Fault reported, which is causing production downtime of up to 20%. A Fault shall be categorised as Priority 2 when there is significant impact to the business Network or service infrastructure. There will be a severe impact to a small business area, an entire service may be degraded or a less significant service will be unavailable.

Priority 2 Faults cause significant business impacts and/or significant financial impacts and are therefore not constrained by the time of day when the occur.

Should an individual user report a Fault with a system function, the Contractor shall use best endeavours to ensure the Fault is not user related before reporting it to Client.

Example:

15% of the production is affected due to a failure of the local Network.

The MPLS Network latency is higher than required resulting in about 15% of the agents receiving poor performance.

Priority 3 – This priority covers any Fault reported causing a degraded service with a production downtime. A Fault shall be categorised as Priority 3 when there is some impact on the business Network or server infrastructure. There may be significant impacts on a small or isolated set of business areas and /or minimal financial impacts. Alternatively, a less important business service may be degraded.

While they are classified as minor, this does not mean that they are insignificant, as the business is affected.

Example:

Virus infection on 5 Desktop PCs of a particular process.

Priority 4 – This level of priority covers any minor condition that has no impact on the operational use of the IS Services but that needs to be scheduled for maintenance. Priority 4 Faults raised outside normal working hours can be deferred until the next working day. A Fault shall be categorised as Priority 4 when there is minimal impact to the Network or server infrastructure. A Fault may only be classified as Priority 4 where there is minimal impact to a single or isolated group of no more than five customers.

Example:

Keyboard not working on Desktop PC.

5. **IS Service Levels**

5.1 The IS Service Levels for Faults shall be:

<u>Sl.No.</u>	<u>Parameter of measurement</u>	<u>Service Level</u>	<u>Description</u>
Technology Uptimes			
1.	Network Business Uptime:	> 99.5%	Priority 1 issue
2.	WAN Roundtrip latency	< 260ms	Priority 1 issue
3.	Desktop Hardware and Operation System uptime	> 99.5%	Priority 1 issue
4.	LAN Uptime	> 99.5%	Priority 1 issue
Helpdesk & Support Process SLAs			
1.	Response Time for Priority-1 issues	15 minutes	
	<i>Acknowledgment of all priorities.</i>	15 minutes	
2.	Response Time for Priority-2 issues	45 minutes	
3.	Response Time for Priority-3 issues	2 Hours	
4.	Response Time for Priority-4 issues	3 Hours	
5.	TAT for Priority-1 issues	2 Hours	
6.	TAT for Priority-2 issues	6 Hours	
7.	TAT for Priority-3 issues	12 Hours	
8.	TAT for Priority-4 issues	48 Hours	
9.	Production of Incident Report for Priority-1 issues	24 Hours	24 Hours after the restoration. Produced automatically. After 96 Hours a detailed incident report with the root cause analysis.
10.	Production of an incident report for Priority-2 issues	24 Hours	24 Hours after the restoration. Produced automatically. After 96 Hours a detailed incident report with the root cause analysis.
11.	Production of Incident Report for Priority-3 and 4 issues	On request	Produced upon request.

The number of downtime minutes may vary depending on the actual number of agents working on the program/process during shifts in a Business Day.

6. **Fault Resolution Process**

6.1 The Contractor shall conduct the resolution of a Fault in accordance with the process and following the phases set out below.

Issue Reporting Phase

6.2 An issue can occur during the Implementation Period, performance of the Services or whilst Staff undergo training. Agents shall report the issue immediately to their supervisor. The supervisor shall confirm if the issue is genuine. If the issue is a Fault, the supervisor shall communicate it to the Contractor's Helpdesk.

Communication Phase

6.3 All Faults shall be reported to the Contractor's Helpdesk immediately by telephone/messenger. All Faults need to be communicated with a full description, an analysis of their impact and a priority ranking in accordance with **paragraph 4.2** above.

6.4 The Contractor shall ensure the business impact and Fault priority are established prior to logging a Fault.

Tagging Phase

6.5 For all Priority 1 and Priority 2 Faults, the Contractor's Helpdesk shall tag the issue with a unique case number.

6.6 Faults raised shall be logged with Client's IS HP Open-View service by the Contractor's Helpdesk ensuring the full 3rd party Fault reference number, contact details and Fault summary and updates are communicated throughout.

6.7 The Contractor's Helpdesk shall provide an update in accordance with the escalation process at **paragraph 10** below. For Priority 3 and 4 Faults, no such updates are required (unless and until such Faults are escalated to Priority 1 or 2 Faults).

- 6.8 In the event that the Contractor's Helpdesk suspects that a Fault is external to the Service Systems, it shall inform Client's nominated contact of the Fault.
- 6.9 On logging a Fault with the Contractor's Helpdesk, the Contractor shall ensure a continuity of the Fault related information process throughout until resolution.

Trouble Shooting Phase

- 6.10 Once the Contractor's Helpdesk has tagged the Fault, it shall begin to resolve the Fault ("**troubleshoot**").
- 6.11 If the Fault is a Contractor Fault, the Contractor shall resolve it either through the use of a shift engineer or through escalation to the senior shift engineer. Post resolution, the engineer shall inform the Contractor Support Desk of the status of the issue and the description of the remedial steps. The Contractor's Helpdesk shall then communicate this to the supervisor and verify that the relevant Service System is working. It shall then close the Fault promptly. It is important that all Faults are closed promptly once resolved to ensure measurement of unproductive time is accurately recorded.
- 6.12 If the Fault is external to the Contractor, following troubleshooting, the shift engineer shall inform the Contractor's Helpdesk and the supervisor shall contact one of Client's technical/operations representatives, as notified by Client to the Contractor from time to time, who shall then be responsible for troubleshooting the Fault. Once the Fault is resolved, Client shall pass the relevant information to the Contractor's Helpdesk, who shall then close the Fault.

7. Information Requirements

The following Fault information shall be provided to Client's nominated contact by the Contractor when communicating Faults:

- 7.1 the Fault type (ie Priority 1, 2 etc);
- 7.2 the time (UK Time) and date the Fault occurred and whether it is ongoing;
- 7.3 the Fault reference / trouble ticket numbers for both parties;
- 7.4 the impact of the Fault on the Services;
- 7.5 details of diagnostics carried out;
- 7.6 IS Services affected;

- 7.7 any relevant circuit references or access numbers; and
- 7.8 contact names/numbers for Contractor staff where a Fault is outside the Business hours as necessary.

8. **Updates**

- 8.1 Updates shall be provided to Client's nominated contact by the Contractor's Helpdesk on an hourly basis for Priority 1 and 2 Faults, and on a regular basis for Priority 3 and 4 Faults.
- 8.2 The Contractor shall ensure that its engineers update the Contractor's Helpdesk and that, in turn, Client's contacts are subsequently updated.
- 8.3 If required by Client, the Contractor's engineers shall liaise directly with Client's nominated contact to aid the Fault resolution process. For the avoidance of doubt, the Contractor shall continue to adhere to the communication process and the Fault recording steps set out above.
- 8.4 In the event that the Contractor is unable to resolve a Fault within 48 hours of it being reported to the Contractor's Helpdesk by the supervisor, the Contractor's Helpdesk shall inform Client's nominated contact of why the Fault has not been resolved and the parties shall enter into the Fault Escalation Process set out below.

9. **Fault Closure**

Once the Fault has been resolved, the following information shall be provided to Client's nominated contact:

- 9.1 the Fault reference numbers;
- 9.2 the time the Fault was cleared; and
- 9.3 details of clearance, how the Fault was resolved and any preventative measures taken to ensure it doesn't recur.

10. **Fault Escalation**

- 10.1 The Contractor and Client shall adhere to the escalation procedure in the event that a Fault is not being dealt with within the timescales envisaged (as set out in the table below).

10.2 For the purposes of this Schedule, the timescales envisaged for resolution are:

<u>Priority Level</u>	<u>TAT</u>
1	2 hours
2	6 hours
3	12 hours
4	48 hours

Priority 1

10.3 The Contractor shall escalate Priority 1 Faults to Client's 1st and 2nd level contacts immediately (as notified from time to time) where a Fault has exceeded TAT.

Priority 2

10.4 The Contractor shall escalate Priority 2 Faults to Client's 1st level contacts within two hours of the Fault exceeding TAT.

Both Priority 1 and Priority 2 Faults are assigned to the Contractor's incident response team to minimize the downtime. This is normally done when the Faults are escalated to Level 2. The incident response team shall work until the problem is resolved and accepted by Client.

Priority 3

10.5 The Contractor shall escalate Priority 3 Faults to Client's 1st level contacts (as notified from time to time) within 12 hours of the Fault exceeding TAT.

Priority 4

10.6 No escalation shall take place immediately on Priority 4 Faults. If after 48 hours the Priority 4 Fault not been resolved, the Contractor shall upgrade the Fault to Priority 3 and then escalate within 24 hours. This upgrade shall be in agreement with Client. The priority level for such a Fault shall not go above Priority 3.

10.7 Escalation shall start after the agreed time for restoration has elapsed.

11. Individual Fault Reports

11.1 Client may request the Contractor to provide it with individual Fault reports in accordance with the terms set out below.

11.2 The Contractor shall provide Client with an initial explanatory report of a Priority 1 or Priority 2 Fault within one Business Day of the time it receives the request and a full detailed report within 96 hours of the time of the request.

12. **Periodic Reporting**

12.1 The Contractor shall provide all reports and statistics pertaining to the provision of the Service via an online web based portal. These include:

<u>Frequency</u>	<u>Report</u>
Weekly	Status report on Priority 1 trouble tickets
Monthly	System uptime and SLA report

Weekly reports for Transaction Based processes are agreed between Client’s service management team and Contractor’s technology teams before operational invoicing is done for the same.

PART G – PLANNED WORKS AND MAINTENANCE

1. **Planned Works**

1.1 In the event that the Contractor and/or any third party acting on behalf of the Contractor wishes to carry out any essential maintenance or upgrades on the Service Systems (“**Works**”), which all parties shall endeavour to keep to a minimum, the Contractor shall be required to obtain the prior written consent of Client in accordance with the process set out below.

1.2 Where Works are planned, the Contractor shall provide a minimum of five Business days prior written notice to Client with full details of the Works, together with any long term planned activity three months in advance and full details of:

- 1.2.1 the time of the Works,
- 1.2.2 the date of the Works;
- 1.2.3 the Services and IS Services affected; and
- 1.2.4 approximate down time.

- 1.3 In the event of an emergency, the Contractor must obtain the prior consent of Client's Offshore Operations Manager before commencing the Works.
- 1.4 On completion of the Works, the Contractor shall contact Client and the parties shall work towards agreeing that the IS Services are functioning properly. In the event that the parties are unable to agree that the IS Services are functioning properly, the Works shall not be deemed complete. In this situation, the outage shall be converted to a Priority 1 Fault and shall be resolved as if it were a Priority 1 Fault.
- 1.5 In the case of a planned major activity to the infrastructure, or an activity requiring assistance from Client or a third party, the Contractor shall provide Client with one month's prior written notice to enable Client to carry out a feasibility study and an impact analysis. Any emergency exceptions to this will be handled through the mutually defined and agreed Change Control Process.
2. The Contractor shall ensure that, where conditions are required by Client or dates/times changed, it shall obtain the approval of and communicate such requirements/changes to those individuals as are necessary to ensure that the Works are completed in accordance with the requirements/changes.

PART H – AUDITS

1. **Audits**
- 1.1 The Contractor shall maintain and perform audits of the Technical Solution and security accreditation given by the Contractor, and the Contractor shall ensure that they comply with ISO 27001 at all times and notify Client when any changes are made that may affect this accreditation.

CHANGE CONTROL PROCEDURE

1. **Purpose**

The purpose of this **Schedule 4** is to identify the change control process to be used by the parties to address proposed changes.

2. **Overview**

2.1 Client and the Contractor may both propose variations (“**Variations**”) to the Agreement and to individual Work Contracts.

2.2 All Variations shall be processed pursuant to this **Schedule 4** and any Variation which is processed in any other manner shall not be binding unless subsequently confirmed in writing by the appropriate Authorised Representatives of the parties set out in **Schedule 6 paragraph 7**.

2.3 Save as set out in **paragraph 2.2**, only the Authorised Representatives may request and approve Variations. Each of the parties shall ensure that its Authorised Representative has sufficient authority, and awareness of his/her authority levels, to give effect to this **Schedule 4**.

2.4 Variations requested or recommended pursuant to the change control process may relate to any of the following non-exhaustive categories of items:

2.4.1 the Services;

2.4.2 the processes through which Services are delivered; and/or

2.4.3 KPIs and Service Levels.

2.5 Each party shall bear its own costs in investigating any Variation required by the other party pursuant to this **Schedule 4**.

3. **Inscope Changes**

3.1 Inscope Changes are to include only *de minimis* changes, which can be carried out by the Contractor without the engagement by the Contractor of additional resources and where the additional costs are no more than *de minimis* (providing that, for the avoidance of doubt, Client may not request multiple *de minimis* requests which, if issued collectively, would have the consequence of constituting an Outscope Change). For example, changes which managers can implement in the course of normal work and instruct Staff in normal briefing sessions. The following is a non-exclusive list of Inscope Changes:

3.1.1 minor modification or refinements to the Services and the business processes/work instructions. Such changes would include changes to process steps, hand-offs and scripts;

- 3.1.2 changes to seat deployment (between Service Elements) and FTEs pursuant to volume spikes as they arise or in the forecasting/planning time horizon;
 - 3.1.3 changes in Services resulting from varying seat and/or FTE deployment, and the application of the Charges set out in **Schedule 7** and **Annex 6** of each Work Contract;
 - 3.1.4 minor changes to training modules;
 - 3.1.5 working on additional project work as requested by Client at no additional cost, provided there is capacity of FTEs available from production;
 - 3.1.6 preparing ad hoc management information reports periodically as requested by Client;
 - 3.1.7 deploying and implementing Six Sigma Black Belt projects to achieve step change in process improvement;
 - 3.1.8 keeping track of transactions of a “particular type” which may be helpful in conducting improvement projects or identifying trends to improve performance;
 - 3.1.9 cross-training agents across Client processes. It is the Contractor’s philosophy that agents should be cross-trained not only to create back-ups but also help them grow laterally to expand their knowledge base and best practice sharing; and
 - 3.1.10 maintaining and updating all training modules and standard operating procedures.
- 3.2 There shall be no extra charge for deploying Inscope Changes, save that where an Inscope Change results in a change in seat and/or FTE requirements then this may result in a change to the Service Charges payable by Client pursuant to the rates and principles set out in and underlying **Schedule 7** and **Annex 6** of each Work Contract, as notified by Contractor and agreed by Client, acting reasonably.

3.3 Subject to **paragraph 3.2**, where Client requests an Inscope Change, the Contractor shall not unreasonably withhold or delay consent to implement such Inscope Change.

4. **Outscope Changes**

4.1 Outscope Changes are all changes other than Inscope Changes. These are commonly referred to as “significant changes”.

4.2 Examples of Outscope Changes include:

- 4.2.1 new Services or Service Elements;
- 4.2.2 the introduction of a tax or duty not in existence at the Effective Date, or not included in the Contractor’s pricing assumptions which applies to the Services or services substantially similar to the Services other than, in each such case, any tax or duty related to employees or applicable to corporate income;
- 4.2.3 changes to KPI or Service Levels, which require the Contractor to recruit and train additional FTE;
- 4.2.4 changes to Regulations applicable to Client’s business or the contact centre operations operated by the Contractor on behalf of Client;
- 4.2.5 changes to the specification or configuration of the network and systems specifications;
- 4.2.6 changes to the BCP; and
- 4.2.7 a change to an obligation or to the specification of the Services which is not de minimis and which affects or relates to the cost to the Contractor of providing the Services.

5. **Mechanism for proposing and agreeing Variations**

5.1 When Client or the Contractor wish to recommend a Variation which is an Inscope Change (“**Inscope Variation**”) then the Authorised Representative of party recommending that Inscope Change shall liaise with the Authorised Representative of the other party to agree the Inscope Variation. Such Inscope Variation must be in writing (including by email) and signed by both parties’ Authorised Representatives.

5.2 When Client or the Contractor wish to request or recommend a Variation which is an Outscope Change (“**Outscope Variation**”), such a request shall be made in accordance with the Change Control Procedure as described in the following provisions of this **paragraph 5**. Each party will provide as much notice as is reasonably practicable.

- 5.3 When a party (the “**Requesting Party**”) wishes to implement an Outscope Variation, it shall issue a Variation Request Notice.
- 5.4 The Requesting Party shall use the format for a Variation Request Notice as set out in Attachment 1 to this **Schedule 4**.
- 5.5 Any Variation Request Notice issued by the Contractor shall include an impact analysis for the Variation that is the subject of a Variation Request Notice. Such impact analysis shall include an indication of the effect of the proposed change on the Services and the Service Levels. The impact analysis shall specify if the Contractor reasonably considers that the proposed Variation will materially affect its ability to continue to perform the Services in accordance with the Service Levels after the implementation of the proposed Variation.
- 5.6 If a Variation Request Notice is issued by Client, the Contractor shall prepare an impact analysis in the same terms as **paragraph 5.5**, within the timescales set out below.
- 5.7 Where the Requesting Party issues a Variation Request Notice, the other party (the “**Receiving Party**”) undertakes to acknowledge the Variation Request Notice within two Business Days of receipt of the Variation Request Notice and to evaluate the Variation Request Notice within ten (10) Business Days (or such other period as the parties may agree) of receipt, and respond to the Requesting Party in writing (the “**Evaluation**”) to:
- 5.7.1 indicate that the Outscope Variation requested needs to be further discussed, and specify the areas requiring discussion, by the parties;
 - 5.7.2 approve the Outscope Variation in the form proposed in the Variation Request Notice and, where approved, the Contractor shall prepare two (2) copies of an Approved Change Notice (in the form set out in Attachment 2 to this **Schedule 4**) to be signed and returned to Client (who shall sign both copies and return one copy to the Contractor); or
 - 5.7.3 notify the other party that it is rejecting the Variation Request and the reason for the rejection of the Variation Request Notice.
- 5.8 In the case of an Evaluation by the Contractor, part of the Evaluation shall include the supply to Client of an impact analysis (also within ten (10) Business Days of receipt of the Variation Request Notice, or such other period as the parties may agree in writing).

- 5.9 Where the Receiving Party indicates pursuant to **paragraph 5.7.1** that further discussion is required in respect of the Outscope Variation, the parties shall either hold a teleconference, videoconference or shall meet (at the Receiving Party's premises initially; further meetings shall alternate between each party's premises) to discuss necessary changes to the requested Outscope Variation.
- 5.10 Following the meeting referred to in **paragraph 5.9** the Requesting Party shall revise the Variation Request Notice to reflect the changes agreed in such meeting and shall submit the revised Variation Request Notice to the Receiving Party.
- 5.11 Where a Variation Request Notice is not approved or rejected pursuant to **paragraph 5.7**, the parties shall repeat up to three times (or for such longer period as the parties may agree in writing) the process in **paragraphs 5.7 to 5.10** (*mutatis mutandis*) above until the Variation Notice is either approved or rejected. If the Change Notice is not approved or rejected after the process in **paragraphs 5.7 to 5.10** is repeated three times (or for such longer period as the parties may agree in writing), then either party may refer the matter to the Dispute Resolution Procedure. For the avoidance of doubt a failure to agree a Variation shall not constitute a breach of this Agreement.

6. **Regulatory Variations**

- 6.1 Client may serve a Regulatory Change Note (as defined in **clause 14.3**), in which case the provisions of **paragraph 5** shall apply, save that:
- 6.1.1 the Variation Request Notice shall be renamed a Regulatory Change Notice;
 - 6.1.2 if the Variation required can be made by the Contractor as an Inscope Change, the Contractor may not refuse the Variation required by Client, and **paragraph 5** shall be applied accordingly; and
 - 6.1.3 if the Variation required is as an Outscope Change, then in accordance with **clause 14.4** the Contractor shall agree to the Variation.
- 6.2 If Client requests an Inscope Change which it requires in order for it to continue to comply with Regulations, the Contractor shall not withhold or delay consent to implement such Inscope Change, save where Client requests an Inscope Change which would, if implemented, cause the Contractor to be in breach of Regulations. If such a circumstance were to arise, then the Contractor shall notify Client immediately in writing of the nature of the breach and Client and the Contractor shall discuss a joint solution to any such potential breach. If the parties cannot agree upon the action to be taken following such discussions, the matter may be referred by either party to the Dispute Resolution Procedure.

6.3 If the Contractor requires a Variation to comply with Regulations, the Contractor shall use the process contained in **paragraph 5**. Client will not unreasonably withhold consent to any necessary Variation, provided that if Client considers that the Variation reduces the commercial benefit to it of placing the relevant Services with the Contractor by more than a de minimis amount, Client may terminate the Work Contracts affected by the Variation at no cost to Client. If Client accepts a Variation raised by the Contractor pursuant to this **paragraph 6.3**, Client shall not suffer any increased cost as a consequence of the Variation, save as may be agreed between the parties as part of the above procedure. If a dispute arises in connection with the application of this **paragraph 6.3**, either party may refer the disputed matter to the Dispute Resolution Procedure.

7. **Effect upon Charges and Services Levels**

7.1 Client shall not be obliged to agree to any Variation proposed by the Contractor that increases the Charges, requires Client to incur material expenditure, or which Client reasonably believes will, in any way, adversely affect the Services, provided that if the Variations are required to be made through the Change Control Procedure as any dispute as to Charges shall be settled through the Dispute Resolution Procedure before any Variation is implemented.

7.2 Where a Variation Request Notice causes, or is likely to cause, the Charges or Service Levels to vary, or additional charges to be imposed, the Contractor shall provide Client with such further information as Client may reasonably request to substantiate the proposed change. In these circumstances, the parties agree to operate the Change Control Procedure on an “itemised breakdown” approach, and, to such end, the Contractor shall provide at least the following information to Client as part of its Evaluation:

- 7.2.1 an itemised breakdown of the proposed cost of making the change showing the reduction to Charges and/or the additional charges and/or one-off charges which are proposed as a result of the change or cessation of any existing Services;
- 7.2.2 the increase to the Charges and/or additional charges which are being proposed as a result of the introduction or addition of new processes or Services or, where applicable, the alteration of any existing Services; and
- 7.2.3 details of the term of the proposed charges.

- 7.3 Any itemised breakdown provided in accordance with **paragraph 7.2** above shall contain at least the following further components shown as separate items, each showing, where practicable and appropriate, the amount of charges relating to that item, both one-off and ongoing, together with a detailed description of the Services to be provided or removed, and any impact on the Service Levels:
- 7.3.1 resource breakdown in respect of projects and project-related activity;
 - 7.3.2 project management details;
 - 7.3.3 cost of additional Process Training;
 - 7.3.4 any other relevant costs; and
 - 7.3.5 any margin.
- 7.4 In responding to additional requests for clarification from Client for any items provided to Client, the Contractor shall:
- 7.4.1 provide to Client such additional information, in a format pre-agreed by both parties, as may be reasonably required for Client to satisfy itself that the proposed charges are valid and are competitive with current market rates; and
 - 7.4.2 mitigate, where reasonable, existing costs.
8. **General**
- 8.1 Until such time as a Variation is made in accordance with the Change Control Procedure, the Contractor shall, unless otherwise agreed in writing, continue to supply the Services as if the request or recommendation had not been made.
- 8.2 Any discussions, which may take place between Client and the Contractor in connection with a Variation Request Notice before the authorisation of the change, shall be without prejudice to the rights of either party.
- 8.3 Any information obtained while clarifying a Variation Request Notice shall not commit Client to accepting either the change in Service Levels, or a change or addition to the Charges.
- 8.4 An agreed Change Notice must be signed by the Authorised Representative of each party in the format set out as Attachment 1 below to this Schedule to constitute an agreed change.

ATTACHMENT 1 TO SCHEDULE 4

CHANGE CONTROL NOTICE PART 1 – Work Request		
Reference Number	CN Reference	Version Number
Source of Variation	Client/contractor	Date Raised
Requester -		Sponsor – Budget Holder
Description of Variation.		
Documents Affected	Work Contract X	
Document/ Attachments Title	Document Reference	Version
I confirm that the Client has formally approved the estimate to complete Part 2 ‘Impact Analysis’ Client Contract Authority Signature		Date

CHANGE CONTROL NOTICE PART 2 – Contractor Impact Analysis		
Reference Number		Version Number
Financial Basis	Fixed Price Time & Materials	
Cost Variation Description		Change Requested
Man-days		
Quoted Service Charge (£)		
Other Expenses (£) <description>		
Total Quoted Service Charge (£)		
	ADR calculated for this change (£)	

Revised Contractual Dates		
Revised Planned Dates		
Risks		
Scope		
Impact on Client and Client's Obligations		
Impact on Contractor and Contractor's Obligations		
External Impacts and Responsibilities for managing them		
Impact Analysis Author		
I confirm that the Contractor has formally approved this Contract Variation Notice Contractor Authorised Representative Signature Date		Date

CHANGE CONTROL NOTICE PART 3 – Client Decision		
Reference Number		Version Number
Client Decision	Approved Refused Postponed Work Contract to be raised Approved with Conditions	
Reason if not approved		
Conditional approval		

SCHEDULE 5

ORGANISATIONAL STRUCTURE

1. Introduction

- 1.1 The purpose of this **Schedule 5** is to set out the context for the development of the Services in order to ensure that the Client and Contractor organisations are delivered in a cohesive way, with the same vision and goal. The Contractor shall build an organisation based on the same values and beliefs to ensure a consistent customer experience for Client's customers and to ensure the Contractor maintains the reputation of a good employer in the local market.
- 1.2 Client and the Contractor agree that it is a requirement of this Agreement to ensure that:
- 1.2.1 the Contractor's and Client's organisations work as a virtual team;
 - 1.2.2 the organisation structure and hand-off points between the two organisations are clear and appropriate to support the full range of Services;
 - 1.2.3 the Staff are fairly selected and have the correct skills to complete their designated responsibilities; and
 - 1.2.4 the Contractor acts as a reputable employer maintaining appropriate employment policies and making Client aware of any significant decisions/actions that may affect this status.
- 1.3 Client and the Contractor agree that it is an aim of this Agreement that the Contractor's and Client's organisations are seen as a seamless integrated business.

2. Environment

- 2.1 The Contractor shall:
- 2.1.1 provide a working environment that is well lit, well maintained, comfortable and compliant with applicable health and safety legislation and in accordance with **Schedule 20**;
 - 2.1.2 periodically repair and refresh the Premises at no cost to Client and, where Client reasonably identifies to the Contractor an item requiring repair at such Premises, shall repair such item as soon as practicable at no cost to Client;

- 2.1.3 provide an office floor footprint that is open plan and encourages agents to be interactive;
- 2.1.4 ensure that senior managers interact with agents;
- 2.1.5 ensure that senior managers share the same space in the Premises dedicated to the Services, save that where appropriate certain senior managers may have an office and not be located in the open plan area;
- 2.1.6 ensure that those sections of the Premises dedicated to performing the Services are decorated in Client colours and reflects Client's brand;
- 2.1.7 provide conference/meeting rooms which provide relaxed space for presentations and team meetings and can act as a team project space;
- 2.1.8 provide personal meeting rooms or private areas which provide a relaxed space for such purposes as small meetings, interviews, performance reviews and quiet working;
- 2.1.9 display the relevant brand materials provided to the Contractor by Client;
- 2.1.10 promote Client's brand values provided to the Contractor by Client (as set out in the Agreed Documents and in such other documents notified by Client to the Contractor from time to time). If the Contractor reasonably believes that such policies of Client conflict with the Contractor's own policies, then it shall notify Client and the parties shall agree a mutually satisfactory solution to the conflict (and in the absence of agreement, either party may refer the matter to be resolved pursuant to the Dispute Resolution Procedure);
- 2.1.11 provide team performance boards, which communicate team and Client information such as performance updates and news. These boards should be updated frequently with information, if any, provided by Client, to ensure that Client information is kept current.

3. **Site Security**

The Contractor shall provide the following site security as a minimum at the Premises:

- 3.1 Staff delivering Services to Client should be based in a dedicated area which is segregated from any staff of the Contractor's other customers;

- 3.2 there should be an access control system that logs and monitors staff movement within the dedicated area that is capable of preventing access outside their working hours, or to unauthorized staff. Such system must provide an auditable report of movements over a given time and date, or by person;
- 3.3 computer screens should be positioned so that the screen is not visible to any person outside the dedicated area; and
- 3.4 shredder facilities shall be provided and utilised by the Contractor in accordance with the requirements of **Schedule 18**; and
- 3.5 documents should not be removed from the dedicated area without appropriate authority.

4. **Brand & Culture**

Whilst delivering the Services, the Contractor shall:

- 4.1 ensure that all Staff must be equipped with the skills to deliver the consistent and unique Client customer experience notified to the Contractor by Client, by ensuring that all Staff follow Client's customer service principles contained in the Agreed Documents (the "Principles"), and providing ongoing training and oversight to ensure that Client's Brand Values and Principles are continually reinforced;
- 4.2 ensure that all Staff understand and behave in accordance with Client's business principles notified by Client to the Contractor from time to time;
- 4.3 ensure that all Staff understand Client's Brand Values, and that these are endorsed by managers; and
- 4.4 ensure that any performance management and incentive processes support the behaviour reflected in the Principles.

Client may from time to time amend the Brand Values and Principles, in which case it shall communicate any amendments within a reasonable period to enable the Contractor to make any changes required. The Contractor shall make all such necessary changes to implement the new Brand Values and Principles of Client.

5. **Employee Engagement**

The Contractor shall:

- 5.1 participate in Client’s annual employee engagement survey;
- 5.2 provide to Client the results for the Contractor’s internal annual and interim employee engagement surveys carried out by the Contractor; and
- 5.3 ensure that all team leaders and managers have and implement effective employee engagement action/improvement plans.

6. **Communication**

The Contractor shall:

- 6.1 ensure that team meetings will take place at least once a week;
- 6.2 ensure that there is regular team development activity appropriate for the offshore environment;
- 6.3 provide a process to ensure the effective dissemination of communications from Client;
- 6.4 ensure that there are adequate numbers of managers or support staff capable of delivering communications in an effective and engaging way; and
- 6.5 ensure that the Staff are provided with access to “Essential” (ie the Client’s intranet), and Client’s newsletters (in each case, as and when provided by Client).

7. **Reward and Recognition**

The Contractor shall:

- 7.1.1 provide Staff with a benefit package that aims to ensure the correct standard of Staff are attracted and retained by the Contractor;
- 7.1.2 ensure that, at a minimum, conditions and working practices are not significantly adverse to local market standards;
- 7.1.3 advise Client of its incentive schemes and associated targets; and
- 7.1.4 participate in Client’s standard recognition schemes, such as the “Everyday Heroes” scheme and the “Chief Executive Awards”.

- 7.2 Client may amend its recognition schemes from time to time, in which case it shall communicate any amendments within a reasonable period that enables the Contractor to make appropriate changes to the Contractor's equivalent schemes.
- 7.3 The Contractor shall prior to any change, notify Client in writing of any change to the Contractor's reward and benefits package. If Client reasonably believes that any change may increase the Contractor's attrition rate for Staff working on the Services, Client and the Contractor shall discuss (and the Contractor shall act reasonably if Client requests such change not to be made). If Client believes that the attrition rate will increase as a consequence of such change, and the Contractor refuses not to implement such change, Client may refer the matter for resolution pursuant to the Dispute Resolution Procedure.
- 7.4 Each party shall be responsible for the cost of awards made pursuant to its own employee recognition schemes.

8. **Performance Management**

The Contractor shall:

- 8.1 ensure that a performance management process is in place for Staff;
- 8.2 ensure that regular formal performance reviews of Staff take place quarterly for front line agents and annually for all other staff as a minimum, and take reasonable steps to develop under-performing individual Staff into competent performers; and
- 8.3 provide ongoing development training to all Staff, for example up-skilling training for agents who have proved to be competent in one set of skills to provide additional skills and greater flexibility, or management training to prepare Staff for career progression.

9. **Organisation**

9.1 The Contractor shall:

- 9.1.1 ensure that Staff follow the roles, responsibilities and general duties as outlined in the standard job descriptions provided by Client; and
- 9.1.2 ensure the spans of control as defined in the competency models contained in the Agreed Documents are adhered to during ramp-up and steady state.

9.2 Client may change the standard job descriptions from time to time, in which case it shall communicate any amendments within a reasonable period sufficient to enable

the Contractor to make any changes required, provided that if there are any costs associated with such changes (with the exception of *de minimis* costs) this shall be dealt with by the Change Control Procedure.

9.3 The parties acknowledge that the organisational structure of the provision of the Services may evolve over the Implementation Period, and it is therefore recognised that the final organisational structure may change from that set out in this **Schedule 5** and **Annex 8** of the relevant Work Contract. Any organisational changes shall be submitted to the Change Control Procedure.

9.4 In addition to the above, Client will consider changes that the Contractor proposes to the organisational structure. Any such changes will be agreed pursuant to the Change Control Procedure.

10. **Competency Specifications and Selection**

10.1 The Contractor shall:

10.1.1 ensure that all candidates are interviewed and appointed based on the competency specification for the role;

10.1.2 ensure that the competency specifications for all roles are based on the agreed core competencies provided by the Client; and

10.1.3 ensure that all Staff have the appropriate qualifications for their role.

10.2 Client may, at its own cost, sample and assess any Staff following completion of their Pre-Process Training to determine whether the Contractor is recruiting Staff in accordance with the agreed recruitment procedures. Client shall have the right to reject any Staff it reasonably considers not to be of the requisite standard and the Contractor shall then remove such Staff from the Services (and the cost of replacing such Staff shall be at the sole cost of the Contractor) provided that if the Contractor does not agree with Client's view, and does not wish to remove such Staff from the Services, either party may refer the matter to be resolved pursuant to the Dispute Resolution Procedure.

11. **Movement of Staff**

In accordance with **clause 16** of the Agreement, the Contractor shall manage its Staff in a controlled way and shall develop policies to support this, which shall be provided to Client as and when changes are made to the policies.

12. **Other Employment Policies**

The Contractor shall:

12.1 ensure that all employment policies and practices are in accordance with Indian Regulations; and

12.2 ensure that the following employment policies are in operation:

12.2.1 a disciplinary process;

12.2.2 an employee grievance process;

12.2.3 a career development process; and

12.2.4 a succession planning process (in accordance with **paragraph 13**),

and shall provide documentation regarding these policies to Client.

12.3 The Contractor will report to Client regarding the operation of these employment policies on each anniversary of the Effective Date.

13. **Succession Planning**

13.1 The Contractor shall supply and maintain detailed succession plans at all times. The Contractor shall supply Client with an updated written report prior to or during the Management Talent Review sessions (referred to in Schedule 6), or in the absence of Management Talent Review Session, at least one every 4 (four) months.

14. **Service Levels**

14.1 Client wants to track performance of the Contractor in the area of people management and organisation, specifically in areas of employee engagement, employee attrition and percentage of non-productive time. Service Levels to measure these issues shall be developed in accordance with **Schedule 2** and included in **Annex 4** of each Work Contract.

15. **Dependency**

15.1 Client acknowledges that certain of the Contractor's obligations in this **Schedule 5** are dependent upon Client providing the Contractor with information and any updates thereafter. To the extent that the Contractor cannot comply with any obligations in this **Schedule 5** due to Client failing to provide such information, the Contractor shall not be in breach of the obligation (but shall nevertheless use its reasonable endeavours to fulfil the relevant obligation).

16. **Diversity Training for Client**

The Contractor shall provide an appropriate individual in the UK for such period as Client shall reasonably require to undertake 'diversity' training for Client employees who will spend time offshore with the Contractor. The Contractor shall provide this individual for two weeks free of charge save for the cost of travel, boarding and lodging which shall be met by Client.

GOVERNANCE

1. **Introduction**

- 1.1 The purpose of this **Schedule 6** is to set out the governance and key relationships between Client and the Contractor to ensure that the Services are provided smoothly and seamlessly in accordance with the terms of this Agreement.

2. **Principles**

- 2.1 This Schedule recognises that governance and the on-going relationship between the Client and the Contractor operate at both an Agreement level and on an individual Work Contract Level (and in the case of any Grouped Work Contracts, potentially at a Grouped Work Contract Level). These levels are nonetheless interconnected to ensure a consistent overall direction and structure to the Client/Contractor relationship.
- 2.2 This **Schedule 6** sets out (i) the detail relating to governance and the on-going relationship between the parties at the Agreement Level and (ii) the principles that will apply at the (Grouped) Work Contract Level. The detailed structure for each Work Contract will be laid out in **Annex 8** of each Work Contract.

3. **Framework Governance**

- 3.1 The overall relationship will be governed through the “**Relationship Governance Board**”. The purpose of the Relationship Governance Board is to review the overall performance of the Agreement and the Work Contracts, review the health of the relationship in general and to set future medium and long term strategies for developing the relationship. As only the Anticipated Services will be included in the Agreement as at the Effective Date, the activities of the Relationship Governance Board activities will initially be covered in the Quarterly Business Review meetings until such time as further Work Contracts are added to the Agreement. Thereafter the Relationship Governance Board will meet at six month intervals, with the first such meeting being within one month of the Service Commencement Date of the first additional Work Contract.

Further background to the function and mechanics of the Relationship Governance Board are included in the following table:

<u>Meeting</u>	<u>Frequency</u>	<u>Attendees</u>
FBRs (Formal Business Reviews)	every 4 months	Client
		COO
		Head of Credit Ops
		Head of HR
		Transformation Manager
		Commercial/Contract Manager – Chair
		VP Operations (CIO)
		Contractor
		COO
		VP Client Relationship
VP Operations (2)		
Strategic Account Manager		
MTR (Management Talent Review)	every 4 months	Client
		COO
		Head of Credit Ops
		Head of HR
		Transformation Manager/VP Operations (CIO)
		VP HR (CIO)
		Contractor
		COO
		VP Client Relationship
		VP HR
VP Operations		
Tactical Forecast Meeting	Monthly	Client
		Planning Manager
		VP Credit Ops (CIO) once in situ
		Contractor
		VP Operations (2)
AVPs and SR. Managers		
Ops Managers		
Commercial Review Meeting	Monthly	Client
		Commercial Manager
		Contract Manager
		Procurement Manager
		EXL
Strategic Account Manager		
Business Development Manager		

BCP

**Every 2
months**

Client

Head of BCP
BCP Manager
Transformation Manager/
VP Credit Ops (CIO)
Offshore IS lead
Business Systems Manager
Contract Manager

Contractor

VP – BCP
Business Analyst (BCP)
VP Operations (2)
VP Facilities & team as appropriate
VP Client Relationship
Snr Manager HR

Performance Review

Monthly

Client

Planning Manager
Transformation Manager
VP Credit Ops (CIO)

Contractor

VP Operations (2)
AVPs
Snr Managers As Appropriate

3.2.1 The Contractor will appoint a Relationship Manager and the Client will appoint a Contract Manager. Each will have responsibility for the relationship with the other party throughout the Agreement and in particular shall work on the following financial and contractual matters:

- 3.2.1.1 investigating cost variances;
- 3.2.1.2 minor variations to the terms of the Agreement or any Work Contract;
- 3.2.1.3 agreement of Change Control Notices for each Work Contract;
- 3.2.1.4 invoicing;
- 3.2.1.5 escalation;
- 3.2.1.6 INTENTIONALLY DELETED;
- 3.2.1.7 general Agreement compliance; and
- 3.2.1.8 general contract administration.

4. **Work Contract Governance**

4.1 **Annexes 1 and 8** of each Work Contract will define the Contractor's and Client's Transition Teams.

4.2 Once the Services are migrated and stabilised, the Contractor's team responsible for implementing the Transition Plan ("**the Transition Team**") will hand over the processes to the Contractor's team responsible for delivering the Services after the Service Commencement Date and for the balance of the term of the relevant Work Contract ("**Operations Team**") to ensure that Client's business objectives with respect to delivery of the Services are met on an on-going basis in accordance with the terms of the Agreement. The Operations Team will also be responsible for ensuring process and relationship management as may be necessary, including process improvements, people management, and for enabling shared services support.

4.3 Each Work Contract will define in Annex 1 the Contractor's Operations team. The Contractor's Operations team will be lead by the Contractor's nominated Head of Centrica India for the specific Work Contract or Grouped Work Contract.

4.4 The Contractor's Head of Centrica India shall have prime managerial responsibility for the following areas:

4.4.1 delivery of the Services to Client in accordance with the (Grouped) Work Contract;

4.4.2 Service Level performance and reporting;

4.4.3 service improvement initiatives;

4.4.4 communications and employee engagement;

4.4.5 major incident investigation reporting;

4.4.6 processing Contract Change Notices;

4.4.7 managing changes in the way in which the Services are delivered to Client in accordance with the Change Control Procedure;

4.4.8 compliance with the Regulations; and

4.4.9 acting as the first point of escalation.

- 4.5 Client has appointed a Head of Centrica India Operations, who may be located in India or in the UK. If located in India, Head of Centrica India Operations may work out of the Premises and shall manage the day to day operation of each Work Contract on behalf of Client including:
- 4.5.1 ensuring the timely provision of monthly forecasts;
 - 4.5.2 reviewing and approving Service Level reporting;
 - 4.5.3 reviewing the Contractor's compliance with Service Levels and KPIs;
 - 4.5.4 raising non-compliance issues with the Contractor, agreeing plans to ensure compliance and monitoring Service Credit compensation in accordance with **Annex 5** of the Work Contract;
 - 4.5.5 liaising with the Client Contract Manager on issues related to non-compliance;
 - 4.5.6 monitoring the development of any business re-engineering to ensure strategic fit;
 - 4.5.7 sponsoring individual Variations through the Change Control Procedure;
 - 4.5.8 verifying compliance with relevant Regulations, licence conditions and rules; and
 - 4.5.9 acting as the first point of escalation.

5. **Generic Responsibilities**

- 5.1 A representative of each of the Contractor and Client shall attend all meetings set out in this Agreement or Schedule and shall meet its own costs for attending such meetings.
- 5.2 If a person scheduled to attend a meeting becomes unable to attend he or she shall, if possible, provide reasonable notice to the meeting organiser and where appropriate arrange for a suitable alternative to attend in his or her place.
- 5.3 Meetings that may be called for each Work Contract include those set out below. The parties agree to attend additional meetings, which may be required on an ad hoc basis depending on business needs (including any meeting between the Authorised Representatives which may be necessary to facilitate the delivery by the Contractor of any Transition Plan and the Services). For the avoidance of doubt, the parties may for efficiency choose to amalgamate meetings for Grouped Work Contract or Work Contracts generally.

- 5.3.1 Work Contract Meetings – General
 - 5.3.1.1 The Contractor shall arrange all such meetings and provide the details of the meetings to Client within a reasonable time before the meeting.
 - 5.3.1.2 Unless otherwise agreed, the Client shall take minutes at each meeting and maintain a central library of all meeting minutes, correspondence and procedures.

5.3.2 Service Review Meetings

The objectives of Service Review Meetings are to:

- 5.3.2.1 review the detailed reports produced by the Contractor relating to the previous week’s Services;
- 5.3.2.2 review the major activities to be completed in the following week; and
- 5.3.2.3 review any issues and escalations.

Further details of Service Review Meetings are set out in the table that follows:

Frequency	Weekly or as required
Purpose	Review service levels, volume and associated reporting. Review any incidents or problems. Deal with any day-to-day operational issues. Discuss proposals for improving the quality of efficiency of the Services, where appropriate
Attendees	Contractor’s – VP (Operations), AVP process owners, Relationship Manager Client’s – Offshore Operations Manager, process owners, Contract Manager, Head of Centrica India Operations.
Location	Conference Call

5.3.3 Service Management Meetings

The objectives of Service Management Meetings are to:

- 5.3.3.1 review the detailed reports produced by the Contractor relating to the previous Month’s Services;

- 5.3.3.2 review the activities to be completed in the following month;
- 5.3.3.3 review escalation process for all issues raised in the previous month
- 5.3.3.4 review the risks and issues logs; and
- 5.3.3.5 review Service quality and productivity improvement plans.

Further details of the Service Management Meetings are set out in the table that follows:

Frequency	Monthly
Purpose	To carry out a review of actual against target Service Levels. Identify and agree action on any Service improvement opportunities. Review any incidents or problems. Deal with any commercial and contractual issues.
Attendees (Meetings may take place in two parts) (operational and managerial) and attendees will vary but shall typically include those listed in this table)	Head BPO Operations, VP (Operations), AVP process owners, VP (Quality), Relationship Manager Client's Offshore Operations Manager, Process Owners, Contract Manager, Head of Centrica India Operations
Agenda	Review service levels, productivity improvements and charges. Review new service requirements. Review attrition and evaluate the skill/resource requirements needed to meet Client's needs with regard to the Services. Provide proposals for improving the quality or efficiency of the services where appropriate. Review monthly allocation of the Infrastructure Support and support-related initiatives resources, and agree the subsequent month's resource plan. Review compliance with Regulations. Review escalation processes for all issues where the Services fall below the required level. Record agreement to any changes to the Work Contract, subject to the prior approval of the authorised signatories of the parties. Review Work Contract change processes. Review Work Contract charging and cost control processes. Review and agree reporting and other management procedures. Review and approve the risk and issue management activities planned for the forthcoming period.
Location	Video Conference or teleconference

5.3.4 Quarterly Business review

The objectives of the Quarterly Business Review meetings are:

- 5.3.4.1 To review the Contractor's Performance during the previous three Months of the Work Contract; and

5.3.4.2 To review the medium to long term strategy for the Services provided under the Work Contract.

Further details of the Quarterly Business Review Meetings are set out in the table that follows:

Frequency	Quarterly
Purpose	To carry out a quarterly review of the overall performance across all Work Contracts Review any major Agreement issues To review and set future medium and long term relationship strategies
Attendees	Contractor's CEO, President, Head BPO Operations, General Manager – UK & Europe, Head of BPO HR, Relationship Manager, VP (Technology), VP (Operations) Client's Director for the Services covered by the Agreement, Contract Manager, Offshore Operation Manager, Programme Director, Outsourced Operations Manager, Head of Centrica India Operations, Head of General Procurement and Supplier Management. Others by invitation
Agenda	High Level Review Summary of the past six months performance across each of the Work Contracts <ul style="list-style-type: none">• Service Level• Compliance with the Agreement• Achievements and Issues• Charges Review partnership working Review any Agreement issues outstanding or escalated Review and set future strategies and impact on the India business requirements.
Supporting Activities	The Contractor shall circulate Work Contract performance information to relevant management.
Location	Twice per annum via video conference/teleconference. Twice per year face to face, one in UK and one in India. Some attendees to teleconference at the face to face meetings.

5.3.5 IS review meetings

The objectives of the IS Review Meetings are to:

- 5.3.5.1 review the detailed reports relating to information systems produced by the Contractor relating to the previous month;
- 5.3.5.2 review the major activities to be completed in the next month; and
- 5.3.5.3 review any issues and escalations.

Further details of IS Review Meetings are set out in the table that follows:

Frequency	Monthly, or more frequently as required
Purpose	To carry out a review of actual against target Service Levels and systems performance. Review any incidents or problems. Deal with any day-to-day IS operational issues. Review network latency and availability
Attendees	IS representatives from each party plus the Contractor's Relationship Manager and the Client's Contract Manager
Agenda	Review Service Levels and associated reporting. Review resolutions reports. Review new service requirements. Provide proposals for improving the quality or efficiency of the services where appropriate. Review and resolve Service issues.
Location	By conference call

6. **Transition Governance**

During the Implementation Period for each Work Contract the meetings outlined in this Schedule will still apply, but with the appropriate additional attendees from each party involved in the Transition Plan. In addition, there will be a governance and meeting schedule agreed between the parties to manage the Transition Plan.

7. **Authorised representatives**

The table below sets out the parties respective Authorised Representatives to act on their behalf for different types of approval as set out in the table below:

<u>Type of approval</u>	<u>Client</u>	<u>Contractor</u>
Work Contracts and Variations to this Agreement and Work Contracts plus specific Agreed Documents for Work Contracts	Centrica Commercial Director	CEO or President
Day to day contract management	Contract Manager	Relationship Manager
Day to day relationship management	Head of Centrica India Operations	VP Operations

<u>Type of approval</u>	<u>Client</u>	<u>Contractor</u>
Approve publicity announcements and disclosures of Confidential Information in accordance with Clauses 36 and 37	The Level 2 Escalation set out in each Work Contract	CEO or President
Issue of Variation Request Notices and agreed Change Notices with cost impact < £100,000 and Inscope Changes	Contract Manager or Head of Centrica India Operations	VP Operations
Issue of Variation Request Notices and agreed Change Notices with cost impacts > £100,000	The Level 2 escalation set out in each Work Contract	Head of BPO Operations
Changes to Services, Services Levels, Hour of operation, volume forecasts	Head of Centrica India Operations	VP Operations

PRICING MODEL

1. **Introduction**

1.1 **Schedule 2** provides for the parties to agree the Service Charges and Implementation Charges in accordance with **Schedule 7**. Schedule 19 provides for the parties to agree to Service Charges in accordance with Schedule 7. Accordingly, this **Schedule 7** details the underlying principles for determining the consideration payable for the Contractor's performance of the Services pursuant to Work Contracts under this Agreement.

The Client has agreed to pay two types of consideration in accordance with this Agreement:

1.1.1 Service Charges; and

1.1.2 Implementation Charges (as detailed in **Part B** below).

1.2 **Part A** of this **Schedule 7** details the menu of prices to be used to calculate the Service Charges payable under a Work Contract and provides the terms applicable to them.

1.3 **Part B** of this **Schedule 7** details menu of rates to be used to calculate the Implementation Charges payable under a Work Contract and provides the terms applicable to them.

1.4 **Part C** of this **Schedule 7** details how Client would move to Outcome Based Pricing. Any references to "Transaction Based Pricing" in this Agreement or any Work Contract, including in each case, any Schedules or Annexes thereto, shall be deemed to refer to "Outcome Based Pricing".

1.5 **INTENTIONALLY DELETED.**

1.6 **Part E** of this **Schedule 7** details the ongoing Service provision.

Part A – Service Charges

1. Calculation of Service Charges

- 1.1 The Service Charges payable by Client to the Contractor under any Work Contract shall be calculated as set out in this **Part A**, using the “Pricing Menu” and the “Bandwidth Costs Grid” below
- 1.2 The Pricing Menu sets out the cost components that shall be used in the calculation of the Service Charges.
- 1.3 The Bandwidth Costs Grid details the cost of the Bandwidth per seat per Contract Year.
- 1.4 The “Work Contract Requirement Table” included in **Annex 6** of each Work Contract shall determine the way in which the Service Charge for each Work Contract shall be calculated using the Pricing Menu and the Bandwidth Costs Grid.
- 1.5 Depending on the volume of FTEs providing Services under this Agreement, the Service Charges shall be increased or decreased, as applicable, by the applicable percentage set forth in the “Discount Grid” table below, if the total number of FTEs moves from one volume band to another. As of the Effective Date the applicable volume band is the 1501-1750 range.

PRICING MENU

<u>All costs in £</u>	<u>Process Name</u>	<u>Credit Operations</u>
<u>Cost Components</u>	<u>Cost</u>	<u>Cost Includes</u>
Agent Salary Cost (incl. Attrition) per annum		
Voice	4,115	Includes Basic salary, bonus payments, overtime, salary uplifts (incl. Canteen, transport, entertainment etc), statutory contributions (PF, Gratuity etc) and ongoing recruitment costs
Data Entry	2,992	
Standard BPO	3,148	
Complex BPO	3,600	
Blended	4,115	
Attrition Rates per annum		
Voice	50%	Calculated as # of leavers/average # of agents for the year
Data Entry	25%	
Standard BPO	25%	
Complex BPO	25%	
Blended	50%	
# of Productive hours per FTE per annum	2,123	Total number of hours a FTE works for British Gas incl. Contract related training and Team meetings relevant for British Gas. It excludes all kinds of absences, breaks, performance management activities and non-contract training
Management Support Salary Costs per annum		
Team Lead	7,415	Includes Basic salary, bonus payments, Stock comp (senior mgmt) ,salary uplifts (incl. Canteen, transport, entertainment etc) and statutory contributions (PF, Gratuity etc)
Floor Walker	4,536	
QA	4,532	
Business Improvement/6 sigma	13,685	
Operations Manager	13,685	
AVP	29,989	
VP	61,392	
Trainer	4,583	
	162	

IS Infrastructure costs/seat per annum	1,350	Includes Desktop costs and IT and help desk costs
Non IS Infrastructure costs/seat per annum	1,845	Includes Floor space cost, furniture and fittings cost and premises costs
Voice Telephony costs/seat per annum	207	Includes infrastructure for voice telephony
Overheads/FTE per annum (for different Volume Bands of FTEs)		
200 - 400 FTEs	4,143	Includes site overheads, corporate overheads and risk premium for inflation and currency fixation
401 - 600 FTEs	3,735	
601 - 800 FTEs	3,510	
801 - 1000 FTEs	3,267	
1000 - 1250 FTEs	3,228	
1250 - 1500 FTEs	3,189	
1501 - 1750 FTEs	3,111	
1751 - 2000 FTEs	3,055	
2001 - 2250 FTEs	3,002	
2251 - 2500 FTEs	2,955	
2501 FTEs +	2,939	Additional volume bands to be added in the event that FTE equals 1,750 or greater
Margin (as %)	16.67%	As a % of Total Service Charge

BANDWIDTH COSTS PER SEAT PER ANNUM

	Volume Bands of FTEs										
	200 - 400	401 - 600	601 - 800	801 - 1000	1000 - 1250	1250 - 1500	1500 - 1750	1750 - 2000	2000 - 2250	2250 - 2500	2500+
90	3,189	2,773	2,716	2,544	2,458	2,373	2,270	2,228	2,047	n/a	n/a
85	3,189	2,773	2,716	2,544	2,373	2,373	2,107	2,023	1,914	n/a	n/a
80	3,189	2,662	2,588	2,544	2,373	2,373	2,015	1,957	1,856	1,727	1,727
75	3,189	2,662	2,462	2,455	2,373	2,373	1,977	1,892	1,828	1,701	1,701
70	2,542	2,563	2,370	2,317	2,290	2,177	1,977	1,806	1,770	1,650	1,554
65	2,542	2,460	2,281	2,168	2,048	1,999	1,977	1,806	1,713	1,650	1,531
60	2,063	2,002	1,774	1,694	1,694	1,911	1,755	1,695	1,618	1,573	1,485
55	2,063	2,002	1,774	1,479	1,525	1,911	1,305	1,448	1,365	1,330	1,289
50	2,063	2,002	1,774	1,479	1,331	1,565	1,305	1,448	1,267	1,246	1,197
45	1,736	1,806	1,385	1,479	1,331	1,220	1,305	1,309	1,267	1,213	1,151
40	1,611	1,636	1,335	1,479	1,331	1,220	1,091	1,309	1,267	1,126	1,092
35	1,667	1,641	1,382	1,194	1,177	1,102	1,078	1,052	1,052	1,052	969
30	1,452	1,446	1,204	1,112	1,001	986	887	887	881	871	871
25	1,452	1,446	1,091	1,003	1,001	831	887	846	818	818	743
20	1,294	1,351	1,027	909	818	801	692	683	661	651	651

	Back Office Discount Grid	Voice Discount Grid
200 - 400 FTEs	14.9%	12.1%
401 - 600 FTEs	11.0%	8.9%
601 - 800 FTEs	6.5%	5.2%
801 - 1000 FTEs	2.6%	2.1%
1000 - 1250 FTEs	2.1%	1.7%
1250 - 1500 FTEs	1.0%	0.8%
1501 - 1750 FTEs	0.0%	0.0%
1751 - 2000 FTEs	-2.1%	-1.3%
2001 - 2250 FTEs	-4.4%	-3.3%
2251 - 2500 FTEs	-5.7%	-4.3%
Greater than 2500	-7.1%	-5.5%

The following table (provided for illustrative purposes only) shows how the Service Charges would change from £6.17 (Service Charge as of the Effective Date) as volume increases or decreases.

<u>FTE Volume</u>	Credit Operations Back Office	Debt Operations Voice
200 - 400 FTEs	£ 7.09	£ 8.54
401 - 600 FTEs	£ 6.85	£ 8.30
601 - 800 FTEs	£ 6.57	£ 8.02
801 - 1000 FTEs	£ 6.33	£ 7.78
1000 - 1250 FTEs	£ 6.30	£ 7.75
1250 - 1500 FTEs	£ 6.23	£ 7.68
1501 - 1750 FTEs	£ 6.17	£ 7.62
1751 - 2000 FTEs	£ 6.04	£ 7.52
2001 - 2250 FTEs	£ 5.90	£ 7.37
2251 - 2500 FTEs	£ 5.82	£ 7.29
Greater than 2500	£ 5.73	£ 7.20

1.6 The prices set out in the Pricing Menu and the Bandwidth Costs Grid include all costs (as described in the “Costs includes” column of the Pricing Menu at clause 1.4) for the following:

- 1.6.1 INTENTIONALLY DELETED;
- 1.6.2 for each 300 FTEs providing the Services under all Work Contracts in the aggregate, the Contractor shall provide one dedicated analyst;
- 1.6.3 for the personnel management “spans of control” as identified in each Work of Contract;

- 1.6.4 five to ten hot desks (each hot desk to have a full desktop, internet and email access and telephone) at each of the Premises (excluding non-operational Premises), being available by Contractor for visiting Client staff;
- 1.6.5 the cost of implementing the two site BCP solution as detailed in **Schedule 8** and the BCP for the relevant Work Contract (except where Client has agreed to bear certain costs as indicated in **Schedule 8** and/or the BCP for the relevant Work Contract);
- 1.6.6 the cost of the infrastructure, management, testing and implementation of the BCP for each Work Contract, as detailed in **Schedule 8**;
- 1.6.7 INTENTIONALLY DELETED;
- 1.6.8 except for the training as part of the Implementation Services, the costs of training the Contractor's Staff (but not costs expended by the Contractor training individuals who subsequently do not, for whatever reason, commence work on the Services). If, however, the number of FTE required to perform the Services under a Work Contract (or Grouped Work Contracts) increases by the greater of 50 FTE, or 10% of the FTEs training funded as part of Implementation in the Work Contract then, unless agreed in writing to the contrary, Client shall pay the additional training costs of the FTE in excess of the thresholds specified in this **paragraph 1.5.7**. Additionally, Client shall pay certain additional sums for FTE training, as specified in **Part B** of this **Schedule 7**;
- 1.6.9 carrying out the Staff vetting processes set out in **paragraph 11.1** of **Schedule 18**; and
- 1.6.10 the following infrastructure
 - 1.6.10.1 shared infrastructure at the Contractor, other than the Shared Services that need to be specifically sized/built for Client viz: Network Administration tools (mapping Client's segregated network elements on the Contractor's network tools, procuring additional licenses for monitoring these network elements, provisioning regulated remote access for Client into these network tools), System Administration (for monitoring Client specific servers at Noida and Pune respectively), which has been included in the One Time Client Specific Technology Capex in the Implementation Charges;

- 1.6.10.2 segregated LAN for Client at the Contractor's sites in Noida and Pune;
- 1.6.10.3 E3 last mile loops at both ends in UK and India;
- 1.6.10.4 subject to **Schedule 3 paragraph 2.16**, no spare capacity planned for in the MPLS network; and
- 1.6.10.5 Data encryption using the 3DES or AES standard.

1.7 The Contractor shall invoice Client at £25 per hour for any additional specific IS installation work carried out by the Contractor, where such installation work has been requested in writing by Client. For the avoidance of doubt, Client shall not be required to make any such payments to the Contractor for the installation work required to implement the Technical Solution.

1.8 Currently the "Outbound Debt" and "Credit Operations" portions of the Services are provided on a public switched telephone network ("PSTN") telephony platform. Client may upon written request to the Contractor require the Contractor, at Contractor's cost, to move the aforementioned Services from the PSTN platform to a voice over internet protocol ("VOIP") telephony platform." The Contractor shall complete such move within 3 months of Client's written request. Any adjustments to bandwidth requirements for the aforementioned Services as a result of the move from PSTN to VOIP shall be passed along to Client.

2. **Inflation and Foreign Exchange**

Beginning on the first anniversary of the Effective Date and on each anniversary thereafter, The charges set forth in the **tables in paragraph 1.4 under Part A of Schedule 7 of the Agreement** shall be adjusted for inflation as provided in this paragraph. For the avoidance of doubt this paragraph 2 does not apply to consulting, analytics and risk advisory services delivered under paragraph 4 of this Schedule 7.

2.1. Inflation will be as stated in the "Indian Wholesale Price Index" (or its successor index, the "**CPI Index**") as reported by the government of India up to the lesser of (1) 3.5% and (2) any annual guaranteed productivity improvements for such year in FTE reductions or improvements in measured Service Levels in each case as set forth in the individual Work Contracts. To the extent any such FTE reductions and/or productivity improvements exceed 3.5% but are 7.0% or less, the value of the difference between 3.5% and the actual FTE reduction and/or productivity improvement shall be shared by the parties equally. To the extent any such productivity improvements exceed 7.0%, the value of the productivity improvement in excess of 7.0% shall be to Centrica's benefit solely. In the event such FTE reductions

or productivity improvements are below 3.5%, then any inflationary increases would be capped to that lower level. Both parties will jointly agree productivity improvements measures for individual Work Contracts annually. Contractor shall notify Centrica upon implementing any changes to a process that it believes results in a productivity improvement. Within 30 days of such implementation the parties shall, via the Change Control process, agree upon the details of such productivity improvement. The following examples are for illustrative purposes only:

- (1) If inflation for an annual period as measured by the CPI Index was 3.5% and the guaranteed productivity improvements for such annual period were 3.5% and such improvements were achieved, then the charges set forth in the tables in paragraph 1.4 under Part A of Schedule 7 of the Agreement for the next annual period shall be increased by 3.5%.
- (2) If inflation for an annual period as measured by the CPI Index was 3.5% and the guaranteed productivity improvements for such annual period were 2% and such improvements were achieved, then the charges set out in the tables in paragraph 1.4 under Part A of Schedule 7 of the Agreement for the next annual period shall be increased by 2%.
- (3) If inflation for an annual period as measured by the CPI Index was 3.5% and the guaranteed productivity improvements for such annual period were 5% and such improvements were achieved, then the charges set forth in the tables in paragraph 1.4 under Part A of Schedule 7 of the Agreement for the next annual period shall be increased by 3.5% and the value of the 1.5% productivity difference shall be shared by the parties equally.

For the avoidance of doubt, the foregoing clause 2.1 applies solely to Work Contracts with FTE based pricing. This clause 2.1 is inapplicable to Work Contracts using Outcome Based Pricing.

2.2 Both Client and Contractor agree to a floating exchange rate for the purposes of invoicing the Client for Services (other than consulting, analytics and risk advisory services delivered under Section 4 of this Schedule 7) rendered under this Agreement.

The Indian Rupee to British Pound Sterling exchange rate (the “**Rupee to Pound Rate**”) is 76 Indian Rupees to £1 British Pound Sterling (the ‘**Base Exchange Rate**’)

The Rupee to Pound Rate used to calculate the Charges shall be as reported by Reserve Bank of India (Central Bank) on their website (<http://www.rbi.org.in>) as the “**RBI Reference Rate**” on the last working day of the monthly invoicing period.

The Charges for each month shall be adjusted by multiplying such Charges by the Base Exchange Rate and dividing the resulting figure by the RBI Reference Rate.

For the avoidance of doubt, the following formulae will be used to calculate the Charges:

For processes on an FTE pricing model:

(Cost per Hour as per Base Exchange Rate) X 76

RBI Reference Rate

I.e for Credit Ops (based on current cost per hour it would be applied as follows;

£5.78 X 76 / 80 = £5.49

= Billable cost per hour

For processes on a transaction pricing model:

(Cost per item as per Base Exchange Rate) X 76

RBI Reference Rate (spot rate as at the last UK working day of the month)

I.e for Credit Ops (for exception/ items costing 20p) it would be applied as follows;

20p X 76 / 80 = 19p

= Billable cost per exception/item

3. Operation of the Service Charges Grid

3.1 Each Work Contract shall contain a Service Charges Grid, which shall be completed by using the Pricing Menu, the Bandwidth Cost Grid and the Work Contract Pricing Table.

3.2 The Service Charges payable by Client to Contractor for Services under a Work Contract shall be those set out in the Service Charges Grid in **Annex 6** of such Work Contract.

3.3 If a Service Element is added or new Work Contract entered into by the parties and this drives overall number of FTEs to a higher volume band in the Service Charges Grid, then the price for the higher volume band shall apply to all Work Contracts from the Service Commencement Date of the new Work Contract.

3.4 The parties agree that where:

3.4.1 Client withdraws a Service Element; or

3.4.2 there has been a permanent ramp down of Contractor FTEs (confirmed in writing by Client) which is not caused by efficiency or productivity gains initiated by either Client or the Contractor,

and in either case, this results in a reduction in the number of FTEs required to perform all of the Services for Client (under all then current Work Contracts), if this leads to a change to the applicable volume bands as set out in the Service Charges Grid in such Work Contract, the lower volume band shall apply to all Work Contracts from the date that the lower volume band becomes effective.

3.5 The Pricing Menu, Bandwidth Costs Grid and Seat Utilisation may be applied by the parties within the following tolerances, beyond which parameters Client and Contractor shall renegotiate the Pricing Menu or Bandwidth Costs Grid (as appropriate), any such renegotiation figures to be based upon the principles underlying the Pricing Menu or Bandwidth Costs Grid on the Effective Date:

3.5.1 there being between 16 and 18.5 FTE productive hours per working day;

3.5.2 a bandwidth requirement being between 20 kbps and 90 kbps per seat; and

3.5.3 a uniform volume of the processes being provided by Client to the Contractor (a uniform volume being a volume which does not fluctuate throughout a day by more than 10% between the peaks and troughs across the day).

3.6 If, at any time, the number of FTEs falls below 200, or the tolerances referred to in **paragraph 3.5** are exceeded, then the parties shall jointly review the Pricing Menu and the Bandwidth Costs Grid and agree appropriate new rates based upon the principles set out in this **Schedule 7**.

3.7 In the event that the parties are unable to agree revised rates in accordance with **clause 3.6** above, the matter shall be referred to Dispute Resolution.

3.8 The Service Charges may be varied across all Work Contracts if the number of FTEs moves into a different band as a consequence of volume change which is shown not to be a Volume Spike, as defined pursuant to **paragraph 29 – 31 of Annex 3** to each Work Contract. Where FTE numbers move in excess of 2,500 FTEs Client will work with the Contractor to agree an appropriate mix of Staff across the Premises to assist the Contractor in optimising its property utilisation, providing Client shall be under no obligation to agree to any changes which it believes will degrade the level of Services it receives from the Contractor.

4. **Professional Fees for Consulting, Analytics and Risk Advisory Services**

4.1 Except as may otherwise be agreed in a Work Contract, any consulting, analytics or risk advisory services provided by the Contractor to Client using the resource types identified below shall be at the rates set forth in the following tables. All rates will be fixed until 31st March, 2013. Upon each anniversary of the Minimum Term these rates will be adjusted by the parties for inflation up to a maximum of 3.5% per annum. Any out-of-pocket expenses will be billed to Client at the actual cost incurred.

Consulting Rate

<u>Resource Type</u>	<u>Per Month Rates</u>		<u>Per Day Rates</u>	
	EXL- US/UK	EXL- India	EXL- US/UK	EXL- India
Principal	£24,000	n.a.	£1,091	n.a.
Engagement Manager	£17,000	£8,500	£ 773	£386
Associate	£10,900	£5,400	£ 495	£261
Sr. Analyst	£ 8,000	£4,000	£ 364	£193
Analyst	£ 5,900	£2,900	£ 268	£142

Analytics Services

<u>Resource Type</u>	<u>Charges</u>
Analyst	£525 per week / £105 per day
Analyst Team Lead	£750 per week / £150 per day

Risk Advisory Services

<u>Resource Type</u>	<u>Charges</u>
Lead Associate	£950 per week / £190 per day

Contractor “Black Belts”

<u>Cost Element</u>	<u>Charges</u>
Black Belt work for processes that have been offshored	£700 per week
Black Belt work for processes that have not been offshored	£975 per week

Part B – Implementation Services

1. Costs of Implementation Services

- 1.1 The Implementation Charges for the Implementation Services for each Work Contract shall be payable by Client in accordance with the process and provisions set out in this **Part B**.
- 1.2 Implementation Charges have three components, these being:
 - 1.2.1 one-off technology capital expenditure to be used solely for Client, which shall be specific to either a Work Contract or Grouped Work Contracts, and which shall be charged to Client by the Contractor at cost (being the purchase price of the item, evidenced with receipts) which shall be Client Funded Technology (as defined in **Schedule 3**);
 - 1.2.2 migration and transition costs for the Staff who must travel to the UK to provide the Implementation Services set out in the relevant Work Contract (for example solution design, Implementation planning and training the trainers), which shall be calculated in accordance with the “Implementation Services Table” set out below;
 - 1.2.3 recruitment and training costs for the initial group of FTEs to be recruited pursuant to the Work Contracts or Grouped Work Contracts;
 - 1.2.4 Service Charges during Process Training – Client will pay 70% of Service Charges for the FTEs who are going through Process Training. This charge shall not be applicable until the FTE completes and passes the Pre-Process Training; and

- 1.2.5 Additional Bandwidth during Transition Plan – Client will pay, if Client requests, for additional bandwidth required as per **paragraph 2.16, Part C of Schedule 3**.
- 1.2.6 Implementation Charges – Client shall pay 70% of the agreed Implementation Charges to deliver the Service (excluding (i) any out-of-pocket expenditures, which shall be paid at 100% of the actual cost incurred and (ii) infrastructure upgrades and/or costs not defined within the Implementation Charges Table (set forth in the Work Contracts), the responsibility for which shall be mutually agreed upon in advance), which Implementation Charges Client may elect to amortise over a 3 year period and add to the rate per hour; provided that such arrangement must be reflected in the applicable Work Contract.

2. **Ramp-Up Training Costs**

Client acknowledges that a proportion of employees of the Contractor being trained by the Contractor to perform the Services will fail to pass the training modules and will not be permitted to perform the Services.

- 2.1 Any training costs to be paid by the Client for Contractor personnel shall be set forth in each Work Contract. Client shall not be obliged to pay any such sum to an employee who voluntarily leaves the Contractor’s employment, who Client identifies as having inappropriately passed Pre-Process Training and who is dismissed pursuant to **paragraph 10.2 of Schedule 5**, or to employees who the Contractor transfers to provide services to another customer.

IMPLEMENTATION CHARGES RATE CARD

<u>Migration & Transition Costs</u>	<u>Rate(£)/ week</u>	
Program Manager	£	500
Training Manager	£	500
Migration Manager	£	500
Trainer	£	300
Recruitment and pre-process training costs	£	273
Travel Costs	On actuals	

Visa Fees	On actuals
Lodgings	On actuals
Local Official Conveyance	On actuals
Car Hire Charges	On actuals
Per Diem	
In London	£ 45
Outside London	£ 40

3. **Invoicing for Implementation Charges**

The Contractor may submit invoices for Implementation Charges in accordance with **Annex 1** of each Work Contract.

Part C – Transition to Outcome Based Pricing

1. **Transition to Outcome Based Pricing**

“**Outcome Based Pricing**” means a pricing methodology where the Charges for Services are calculated on the basis of achieving defined deliverables, together with any other agreed costs and expenses, as opposed to the number of FTEs employed in the provision of the relevant Services.

Client may require that future Services be provided on an Outcome Based Pricing Model and, in addition, Client may want to switch to Outcome Based Pricing in respect of Services governed by one or more Work Contracts in existence at a given time. Work Contract 1 is provided on an Outcome Based Pricing methodology.

A change in the pricing methodology as contemplated in this section shall be handled through the Change Control Procedure, but the parties agree to apply the principles and assumptions underlying the current pricing methodology set out in Work Contracts 1 when discussing and agreeing the terms of any Outcome Based Pricing, to the extent that they are applicable.

In the event that the parties agree to consider Outcome Based Pricing, the Contractor shall propose a methodology for Client’s approval within 15 Business Days. For existing Services, the methodology shall be based on the Service Levels prevailing at the date of the proposal and shall contain proposals on productivity improvements. Any methodology shall address the deliverables against which a charge shall be due, appropriate forecasting of likely deliverables, measurement of achieving deliverables, margins, and any agreed tolerance levels. The methodology shall also

include proposals as to any other sections of this Agreement (or any existing Work Contract) that the Contractor reasonably considers will need to be amended to reflect the proposed methodology, including, by way of example, , invoicing methodology, and volume and data forecasting, such changes to be considered as part of the Change Control Procedure.

On agreeing on the Outcome Based Pricing methodology, Client and Contractor shall work together to agree a transition plan detailing activities required to achieve the transition from FTE pricing to Outcome Based Pricing, and a project plan. Any dispute in relation to a pricing methodology change under this Part shall be submitted to the Dispute Resolution Procedure.

Part D – Intentionally Deleted

Part E – Ongoing Service Provision

1. If, at such time as this Agreement remains in force, Contractor provides services to a Client Competitor which are materially the same as Services then being provided to Client under this Agreement, on pricing terms (including assumptions) which are, having regard to all of the circumstances and the contract terms relating to the services being provided to the Client Competitor, more favourable to the Client Competitor than the pricing then in force under this Agreement, it shall provide Client with anonymised details of the same, complying with the terms of any applicable confidentiality restrictions, and Client may use the Change Control Procedure to address any imbalance.
2. Contractor shall provide Client, at no cost to Client, 20 reasonably spaced workspaces in the aggregate in the Premises as agreed between the parties for time to time for “Centrica India Operations” (i.e. Client’s India based employees who support Client’s offshore operations).

DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

1. **Introduction**

2.1 This Schedule sets out the Contractor's obligations to provide a BCP that is designed, planned, implemented and tested to ensure the recovery of the Services to specified objectives in the event of a Serious Incident. It will also cover the approach to be taken in the event that for system failures the TAT for Priority 1 and Priority 2 Issues as set out in **Schedule 3** are exceeded.

2.2 A Serious Incident could arise from any of the following number risks, including but not limited to :

- loss of utility service, such as electricity and water,
- systems failures
- natural disasters
- fire
- theft
- terrorism
- accidents
- epidemic
- water contamination
- loss of a building
- public disorder
- riots
- "bandhs"

For the avoidance of doubt a Serious Incident will not be deemed an event of Force Majeure if it is an event anticipated by or which can practicably addressed using the BCP.

- 2.3 There will be one BCP to cover the Services supplied under the Agreement. The BCP will be updated to reflect the specific business continuity requirements of each Work Contract and any future change in business circumstances.
- 2.4 The business continuity requirements for each Work Contract shall be agreed by the parties prior to the Service Commencement Date of the first Service Element of a Work Contract. If the BCP is not agreed by such time Client may, at no cost to Client, delay the Service Commencement Date until such time as the BCP is agreed.
- 2.5 The BCP for the Anticipated Services will cover three distinct operating environments
- The period from the Effective Date to the point in time where the Contractor commences operations from a second Premise so it has two Premises (Noida and Pune) providing the Services (“BCP Phase 1”)
 - The period during which the Contractor provides Services from two Premises and the Client retains at least one operational site in the United Kingdom providing services broadly similar to those provided by the Contractor under the Agreement (“BCP Phase 2”)
 - The period after which the Client no longer retains any operational sites in the United Kingdom providing services broadly similar to those provided by the Contractor under the Agreement (“BCP Phase 3”)
- 2.6 The first version of the BCP for the Agreement will be developed by the Contractor as a Deliverable from the Transition Plans of the Anticipated Services. Thereafter this BCP will be modified by the Contractor to take account of future changes and new Work Contracts.
- 2.7 **Paragraph 4** of this **Schedule 8** sets out the approach to be used by the Contractor when designing the BCP and updates thereto.
- 2.8 **Paragraph 5** of this **Schedule 8** set out the Contractor’s obligations in relation to the governance and management of business continuity.
- 2.9 **Paragraph 6** of this **Schedule 8** sets out the Contractor’s obligations in relation to the implementation of the BCP.
- 2.10 **Paragraph 7** of this **Schedule 8** sets out the Contractor’s obligations to test the BCP

3. **Definitions**

For the purposes of this **Schedule 8**:

“**BCP solution**” means the defined approach outlined in the BCP to be enacted in the eventuality of a Serious Incident to ensure the recovery of the operation of the Services to specified objectives

“**BCP Solution Effective Date**” means the date that a particular BCP Solution becomes effective.

“**Enhanced BCP Solution**” means the additional actions, infrastructure, premises etc to the Default BCP Solution outlined in **paragraph 3.1** agreed in accordance with **paragraph 4.7**.

“**Recovery Time Objective**” or “**RTO**” means the maximum time elapse to recover a process to an agreed level of service;

“**Recovery Point Objective**” or “**RPO**” means the point at which a specific process must be restored to the agreed levels following a Serious Incident;

“**Serious Incident**” means an occurrence that has the effect of disrupting or potentially disrupting normal business-as-usual operations for a period of at least 24 hours;

4. **BCP General Principles**

4.1 The Pricing Menu in **Schedule 7**, assumes the costs includes the Contractor’s two Premises in Noida and Pune offering a degree of inter-site business continuity for each other through the utilisation of spare operational capacity and the prioritisation of Services undertaken in the event of a Serious Incident at one of these Premises. The Contractor has agreed to provide an additional operational capacity at each Premise equivalent to 10% of the FTE deployed at the other Premise (i.e. if there are 200 Contractor staff providing the Services in Pune and 300 Contractor staff providing the Services in Noida, and Pune is affected by a Serious Incident that triggers the BCP, the Contractor shall provide a total of 320 seats in total in Noida (300 + (10% of 200) = 320)). This inter-site business continuity between Pune and Noida shall be known as the “Default BCP Solution”

- 4.2 Overtime and full utilisation of seats during full operational hours of the week and at weekends shall provide additional infrastructure and desk space for business continuity.
- 4.3 The Contractor shall maintain a bench of 15% for back office processes and 18% for voice operations and although a percentage of the bench shall be unavailable during Serious Incidents due to absence and absence cover, the remainder are to be used to provide contingency thereby reducing the requirement for staff from the affected Premise to travel.
- 4.4 It is assumed that the additional 10% capacity at each of the Premises is delivered from the re-allocation of non-operational desks accordingly, There is no provision of extra desks within the Default BCP Solution.
- 4.5 Transfer of staff between Premises shall be managed by the Contractor in agreement with Client. Client shall reimburse the Contractor for any reasonable out of pocket expenses it incurs in transporting, boarding and lodging staff between Noida and Pune as the result of a BCP being triggered.
- 4.6 Except where expressly stated in this **Schedule 8** or **Annex 6** of a Work Contract the Contractor shall bear the cost of complying with its obligations under this **Schedule 8**.
- 4.7 BCP Phase 1 shall be designed on the basis that the Services can be transferred back to the Client's UK operational site(s) in the event of a Serious Incident.
- 4.8 BCP Phase 2 shall be designed on the basis that the Contractor's Premises in Noida and Pune will be used to provide inter site contingency for each other as laid out in **paragraph 3.1** with support from the Clients UK operations
- 4.9 BCP Phase 3 shall be designed on the basis that the Contractor's Premises in Noida and Pune will be used to provide inter site contingency for each other as laid out in **paragraph 3.1** with no reliance or support from any Clients operations.
- 4.10 BCP Solutions shall be tested prior to each of their respective BCP Solution Effective Dates
- 4.11 The BCP will contain the Default BCP Solution plus any Enhanced BCP Solution the parties agree upon during the design of the BCP.

4.12 Where the BCP contains no Enhanced BCP Solution the Parties recognise that in the event that both the Noida and Pune Premise are affected by a Serious Incident at the same time, the BCP may fail.

4.13 The Contractor guarantees that the BCP shall not be compromised by the impact of incidents that affect other Contractor clients.

5. **Development of the BCP**

5.1 The aim of the BCP is to provide the framework, processes and operational guidance for those tasked with recovering each of the Services in the event of a Serious Incident. The Client will notify the Contractor, from time to time, the methodology the Contractor is required to follow and the detail the Contractor is to document in the production of the BCP. The methodology to be used and detail to be documented by the Contractor will be the same as the Client utilises internally for its own business continuity activities. The Client's Minimum BCP Standards will be contained in the Agreed Documents. If the Contractor reasonably believes that Minimum BCP Standards extend beyond the provisions contained in this **Schedule 8**, then it shall notify Client and the parties shall agree a mutually satisfactory solution to the conflict (and in the absence of agreement, either party may refer the matter to be resolved pursuant to the Dispute Resolution Procedure).

5.2 The BCP shall address both the Process and Strategic aspects of business continuity:

5.2.1 The Process aspects shall address business disruption, interruption or loss from the initial response to the point at which normal business operations are resumed and including the resources and recovery solutions to be used; and

5.2.2 Client will advise the Contractor periodically of Client's overall strategic approach to the management of business continuity. The Contractor will ensure that the BCP is consistent and supportive of the Client's strategic approach to business continuity.

5.3 The BCP shall contain the following minimum requirements:

5.3.1 the purpose, scope and objective of the BCP;

5.3.2 clearly defined roles, accountabilities, responsibilities and authority of those involved;

5.3.3 a clear explanation of how the BCP is structured and how to use it;

- 5.3.4 any assumptions made during the definition of the BCP;
- 5.3.5 instructions for keeping a copy of the BCP at onsite and offsite locations;
- 5.3.6 instructions for strictly controlling the distribution of the BCP;
- 5.4 The BCP shall be designed to meet the Recovery Time Objectives and Recovery Point Objectives. The Client shall notify the RTO and RPO for a Work Contract as part of the Transition Plan.
- 5.5 For each of the Anticipated Services the RPO shall be twenty four (24) hours.
- 5.6 In developing the BCP the Contractor and Client shall work in tandem to carry out the following activities:
 - 5.6.1 Business Impact Analysis : The primary purpose of the Business Impact Analysis is to identify and define for each Work Contract the impact (or consequence) of their interruption, disruption or loss to Client and to prioritise the Services or Service Elements to ensure that essential resources are allocated to critical activities at the correct time.
 - 5.6.2 Risk Evaluation and Control: Risk evaluation and control is to identify the events that can adversely affect an organisation together with the likelihood (probability) of these events occurring. Its objective is to provide an accurate catalogue of the threats facing the organisation and to ensure that the BCP adequately and properly account for the likelihood of a threat 'event' occurring.
- 5.7 Having completed the Business Impact Analysis and Risk Evaluation and Control activities, the Contractor will develop a number of recovery strategies that meet the RTO and RPO for the Client's consideration. The Client will notify the Contractor, which of the recovery strategies they should develop into BCP solutions. Where an Enhanced BCP solution is selected, the parties will agree the costs, if any, of implementing such an Enhanced BCP solution.
- 5.8 The BCP will include Business Continuity Responses which provide a framework to successfully respond to and communicate with Client and its employees when a Serious Incident has occurred and throughout the remedial stages. The Business Continuity Response shall include:
 - 5.8.1 the identification of the types of Serious Incident that could be encountered and the immediate actions to be taken in response to a Serious Incident

(emergency response and operations), including the initial actions to be taken to protect life and property, an assessment of the impact of the Serious Incident on the Client's operation and Services and the actions to be taken to restore normal operations;

5.8.2 the development of public relations and crisis communication, detailing how media interest and internal/external communications must be managed.

5.9 The BCP shall include a Crisis Management Plan. This plan addresses how a Serious Incident is to be managed and what actions and activities will be required to mitigate the impact of such situations to the business operation and on the parties' images and reputations.

5.10 The BCP shall include a public relations and crisis co-ordination plan. The objective is to establish public relations and crisis coordination teams and define processes to manage incidents according to agreed policies. However, whilst the capability shall exist at the Contractor to manage public relations and crisis coordination, the Contractor must put processes in place to keep Client informed of all major incidents.

5.11 The BCP must receive the prior written approval of the Client before the BCP or any changes thereto become effective.

5.12 The BCP shall be reviewed by the Contractor every twelve Months or before any change to the Services or supporting infrastructure to ensure that the BCP is still suitable for purpose.

5.13 The Contractor shall update the BCP if any of the following occur:

5.13.1 there is an exposure to a new risk;

5.13.2 an occurrence of a Serious Incident results in the Contractor's awareness of a better method of protecting Client; or

5.13.3 there have been changes to technology.

6. **Business Continuity Management**

6.1 The Contractor shall ensure that it puts in place the appropriate governance framework to manage the development, implementation, testing and update of the BCP (BCM Framework)

6.2 In delivering the BCM Framework, the Contractor shall:

6.2.1 define, agree and publish roles, responsibilities and accountabilities for business continuity;.

- 6.2.2 ensure that all business continuity related processes, procedures and systems operate in accordance with all applicable laws and Regulations (with Client advising the Contractor of any requirements relating to UK Regulations) and that they are consistent with Client's Minimum Standards, as communicated to the Contractor pursuant to **paragraph 1.3** of this Schedule;
 - 6.2.3 reporting to the Client on business continuity related activities
 - 6.2.4 establish a business continuity document library (which shall be kept electronically and shared with Client once every quarter) and introduce a process for communicating and publishing the BCP and updates thereto.
 - 6.2.5 raise awareness of business continuity throughout its staff and ensure that business continuity is a key consideration in the strategies and plans it develops for delivering the Services under the Agreement.
- 6.3 The Contractor's sponsor for the BCM framework will be their Chief Operating Officer.
- 6.4 The Contractor shall audit the effectiveness of the BCM framework annually and report its findings to the Client.

BCP Implementation

- 6.5 The Contractor is responsible for having available outside normal business hours contact numbers for all of its Staff, which can be made easily accessible to the Contractor and Client in the event of a Serious Incident.
- 6.6 The Contractor is responsible for defining and publishing a cascade process for contacting Staff.
- 6.7 The Contractor is responsible for identifying Response management teams.
- 6.8 The Contractor is responsible for ensuring support staff are available as required, according to the nature and scale of the Serious Incident.
- 6.9 The Contractor is responsible for establishing a crisis command centre(s) within 30 minutes of the location from where the Services are being provided in response to an incident (which may be at a purpose-built Disaster Recovery facility, or at alternative premises held by the Contractor). Likely locations for the Crisis Command Centre shall be identified and defined as part of the BCP.

- 6.10 The Contractor is responsible for developing, documenting, obtaining agreement from Client and implementing criteria for activating the crisis command centre.
- 6.11 The Contractor is responsible for ensuring that during the response/recovery phases, health and safety and staff welfare requirements are considered and protected in accordance with **Schedule 20**.
- 6.12 The Contractor is responsible for developing a means of recording events during the response/recovery phase in order to help the post-incident review team to develop subsequent plans and clarify any points that are later queried.
- 6.13 The Contractor is responsible for ensuring at the end of the Serious Incident, that specific procedures are developed to ensure a smooth return to normal working practices and Premises.
- 6.14 The Contractor shall obtain the prior written consent from Client before making any statements or giving any interviews to the media in relation to the implementation of the BCP and shall keep Client informed of all statements issued or interviews given. All pre-prepared press releases, holding statements and communications prepared by the Contractor must be developed in conjunction with Client's legal and communications teams.

7. **Testing, Maintaining and Auditing the BCP**

- 7.1 The Contractor shall ensure that the BCP and its supporting infrastructure and dependencies are adequately tested and rehearsed. The testing should provide a continual assessment of the validity and effectiveness of the BCP and provide the basis for improving of the BCP
- 7.2 The Contractor shall carry out three types of business continuity tests, (i) Passive; (ii) Intermediate; and (iii) Active.

Passive Tests: Limited to examination of the BCP to ensure its accuracy and effectiveness or paper top exercises to ensure that information within the BCP framework is up to date. This includes verification of the contact details.

Intermediate Tests: Includes some managerial involvement from business operations and activity but do not amount to full simulations of the BCP implementation. They can also include workshop and dress rehearsals, which

confirm the effectiveness of the theory underpinning the Business Continuity strategy. These tests would involve nil or minimal planned disruption to business operations and would not involve physical movement of people across the service delivery locations.

Active Tests: Exercise the BCP, or a component of it, in circumstances likely to simulate a real invocation. In active test scenario, the planning would be very specific to business recovery of a particular process or an element of and planned out in great detail with the objective of making the exercise scenario as realistic as possible. The detailed scoping of these tests and their execution will be worked in the Business Continuity planning exercise as per the project plan and the resultant aspects will accordingly be taken up.

Testing Requirements

- 7.3 The Contractor shall produce an annual schedule of proposed BCP Tests for approval by the Client.
- 7.4 BCP's must be tested at least once a year, using the appropriate type of business continuity test.
- 7.5 As a minimum, the Contractor shall be required to test as follows:

<u>Test</u>	<u>Testing frequency for each site</u>
Fire Alarm Tests	Monthly
Fire Alarm with full evacuation	6 Monthly
Contact Test (Passive Test)	6 Monthly
Walkthrough (Intermediate Test)	6 Monthly per Service Element per Premise
Work Transfer	Annually per Service Element per Premise
Simulation Disaster Recovery	Annually
Simulation loss of site	Annually after an initial trial
Parallel processing Test by invoking an alternative site	Annually
System and infrastructure tests i.e. failover, redundancy, service continuity and functionality tests for the technology solution, power and fire equipment	Annually

- 7.6 The tests will be carried out to the standards specified by the Client to the Contractor from time to time. These test standards will be the same as the Client utilises internally for its own business continuity test activities.
- 7.7 The Contractor shall provide the dates of each rehearsal within their annual testing plan and Client shall have the option to attend any of the tests
- 7.8 The Contractor shall provide a detailed report to Client on the results of each test rehearsal within 10 working days of the event (the “**Test Report**”). The Test Report shall cover the following areas:
- 7.8.1 details of the rehearsal scenario;
 - 7.8.2 copies of the incident logs;
 - 7.8.3 lessons learnt; and
 - 7.8.4 recommendations for future improvements.
- 7.9 Client shall review the Test Report and provide any proposed amendments to the Contractor, who shall update the BCP within 30 Business Days of receiving the amendments.
- 7.10 The Contractor shall provide to Client a quarterly reports of all testing, results and remedial plans.

SCHEDULE 9

EXIT PLANS

1. **Introduction**

2. The purpose of this **Schedule 9** is to establish the principles for the determination and implementation of an Exit Plan for application upon expiry or termination of each Work Contract.

3. Each Exit Plan shall ensure:

3.1 an orderly and smooth transition of the Services the subject of the Work Contract from the Contractor to Client and/or to a new provider at the expiry or earlier termination of the Work Contract;

3.2 that the responsibilities of the parties are clearly defined in the event of exit or transfer;

3.3 a smooth and orderly wind down of any Services and a smooth network/systems migration; and

3.4 that if Client specifies that it requires a Continuation Period pursuant to **clause 33.7**, the terms of such Continuation Period are documented and adhered to. It is acknowledged that if Services are to be provided in a Continuation Period these will be charged at the rates set out in the Pricing Model, but if the nature of the ongoing work does not fit within the Pricing Model, then the parties will adjust the prices in accordance with the provisions set out in **Schedule 7**.

4. This **Schedule 9** shall apply regardless of the reason(s) for exiting this Agreement. An Exit Plan may, where exit occurs as a result of service of a termination notice, be implemented in conjunction with other remedies under this Agreement.

5. The terms of this Agreement and any existing Work Contract shall continue to apply regardless of an Exit Plan having been activated by the parties. It is acknowledged by Client that where termination occurs by reason of Force Majeure and, as a consequence of such Force Majeure, the Contractor cannot continue to perform the Services, the Contractor shall in all ways reasonably possible provide such assistance as Client may require pursuant to this **Schedule 9** (including entering into an Exit Plan which requires no Services in a Continuation Period, if this is possible).

6. It is acknowledged that the requirements for each Exit Plan will differ between Work Contracts. This Schedule establishes the mechanism by which a final Exit Plan shall be determined for exit from each individual Work Contract.
7. In agreeing the terms of, and implementing, each specific Exit Plan, the parties shall act reasonably and in good faith.
8. **Development of Exit Plan**
- 8.1 At the date six months prior to the date this Agreement or a Work Contract expires, or at the date that either party serves a written notice to terminate a Work Contract, Client may serve upon the Contractor a written request:
 - 8.1.1 for co-operation in the formation of an Exit Plan; and
 - 8.1.2 specifying materials and information which Client requires to enable it to re-tender the Services, or perform the Services itself, the date of service of such notice being, for the purpose of this **Schedule 9**, the “**Activation Date**”.
- 8.2 Within five Business Days of the Activation Date, the parties shall hold a meeting (the “**Exit Meeting**”) to discuss the Exit Plan for this Agreement or a Work Contract that is terminating. The purpose of this first Exit Meeting is to discuss and agree to:
 - 8.2.1 determine the members of a team to facilitate and manage implementation of the Exit Plan (the “**Exit Management Team**”). The Exit Management Team shall comprise an equal number of suitably senior employees of each of the parties from the relevant operational areas, or as otherwise agreed by the parties. Each party will ensure that the individuals appointed to the Exit Management Team are appropriately skilled and have the requisite authority to manage their party’s responsibilities in relation to implementation of the Exit Plan;
 - 8.2.2 allow Client to identify to the Contractor its requirements for the exit process (including whether there is to be a new provider for the relevant services), which shall include determining the design and testing phase for any required migration, the scope and actions required during any migration phase and the criteria which will determine that implementation of the Exit Plan is complete;
 - 8.2.3 resolve the immediate actions of each of the parties;

8.2.4 determine the timetable for completion and implementation of the Exit Plan; and

8.2.5 map out the format, location and dates of future Exit Meetings.

The first Exit Meeting shall be in person at a mutually convenient location determined by Client. Subsequent Exit Meetings may be by conference call or video conference, or in person, as determined from time to time by the parties, save that either party may at any time (acting reasonably) request that an Exit Meeting be in person.

8.3 Responsibility for production of the Exit Plan shall lie with the Contractor, which shall act reasonably in drawing up the Exit Plan to reflect Client's concerns and wishes, to the extent practical.

8.4 The Contractor shall supply any materials and information reasonably requested by Client pursuant to **paragraph 8.1** as soon as reasonably practicable and in any event within 15 Business Days of the Activation Date.

9. **Scope and process for determining the Exit Plan**

9.1 The Contractor shall, within 15 Business Days of the Activation Date, supply its proposed Exit Plan to Client for approval.

9.2 Client shall review the content of the Exit Plan submitted to it by the Contractor and notify the Contractor of any amendments that it and/or the new provider reasonably require to the Exit Plan, within 15 Business Days of receipt of the Exit Plan by Client.

9.3 On the basis of the above, the parties shall, acting reasonably and in good faith, agree the contents of the Exit Plan. Should the parties be unable to reach agreement, the matter will be referred to the Dispute Resolution Procedure.

9.4 The Exit Plan shall contain the following information:

9.4.1 a list and timetable of activities in reasonable detail for the Contractor, Client and new provider (if any) to undertake to ensure each party's compliance with the terms of this **Schedule 9**;

9.4.2 any known Dependencies on Client, the Contractor or the new provider (insofar as the Client is aware of the same) for the successful implementation of the Exit Plan;

9.4.3 any known implications of termination of a single Work Contract, if applicable, when other Work Contracts remain in force; and

9.4.4 such other details as Client and the Contractor consider appropriate when agreeing the terms of the Exit Plan.

9.5 During any period when the Exit Plan has not been agreed by the parties but some or more of the Services have terminated, the parties shall to the extent applicable comply with the general principles contained in this **Schedule 9**.

10. **General Principles for all Exit Plans**

10.1 The provisions in this **paragraph 10** shall be included in each Exit Plan, unless agreed to the contrary by Client.

10.2 The Contractor shall:

10.2.1 upon reasonable notice during normal business hours allow Client to have access to the Contractor's Premises to the extent reasonably required by Client for the purposes of Client performing its obligations pursuant to the Exit Plan;

10.2.2 fully co-operate with Client and any new provider, as the case may be, to ensure the successful implementation of the Exit Plan in accordance with the terms in the manner and to the timescale therein;

10.2.3 make available an office area at the Premises of a suitable size and standard having regard to available space at the time to accommodate employees of Client assigned to the Exit Management Team. Such premises will be provided free of charge;

10.2.4 submit to Client within 15 Business Days of the first Exit Meeting, a detailed communication plan relating to the transition of the Services which shall include the medium, format, frequency and audience for such communication. Any communications to be released will be subject always to **clause 36** save that where such announcements contain information relating to the new provider, the new provider will also be required to approve the communication; and

10.2.5 within 15 Business Days of any request by Client, provide all information reasonably requested by Client (including copies of documents, details of databases including format of storage and retrieval and descriptions and

specifications of hardware, software and infrastructure, passwords and other security mechanisms and copies of related manuals and user documentation) relating to the Services.

- 10.3 The Contractor shall supply to Client copies of all documents, reports, databases and records held by the Contractor in relation to the Services, including Client data, operations manuals, systems schematics and financial volume statistics, in an electronic format specified by Client, save where the item in question is not in an electronic format, in which case a hard copy will be accepted. Following the provision of the documents, electronic or otherwise, to Client, the Contractor shall, to the extent permitted by applicable law, destroy all hard copies (in a secure fashion) and delete permanently all Client items held by it electronically. If Client's requirements for the electronic format of documentation are different to the current format in which documents are held, or are not based upon industry standard software then Client shall pay the Contractor's reasonable costs in procuring the software or systems necessary to meet Client's requirements, provided that such costs are agreed in advance in writing by Client.
- 10.4 The Contractor shall actively participate and co-operate with Client and any third party nominated by Client in migrating the Service to an alternative service provider or to Client. Unless Client requests otherwise, the same methodology used for the migration of Services to the Contractor at the commencement of this Agreement shall be adopted for the migration of the Services to an alternative service provider or to Client. This will include:
- 10.4.1 the Contractor establishing a number of key personnel to form an operational project team with the appropriate skills;
- 10.4.2 the Contractor jointly developing with Client or a third party provider a project plan with the objective of delivering a least-risk migration. Client shall retain ultimate discretion (such discretion to be exercised reasonably) as to the content of the Exit Plan (and therefore any project plan) in order that Client's transition objectives can be achieved. If the Contractor reasonably believes that any element of an Exit Plan will cause it to be in breach of Service Levels, or otherwise under the Agreement, it shall notify Client in writing of the particular circumstances. If Client agrees with the Contractor's notice and does not change the Exit Plan, then the Contractor shall be excused compliance with the Service Levels or other provisions identified, provided that it will at all times continue to use its reasonable endeavours to achieve such Service Levels or other identified provisions. If

the parties disagree as to the content of the Contractor's notice, the matter shall be resolved pursuant to the Dispute Resolution Procedure and the Contractor shall not be required to comply with the disputed Service Levels during the period such dispute is resolved (but shall for the avoidance of doubt continue to use its reasonable endeavours to do so);

- 10.4.3 the Contractor making available sufficient key personnel to deliver the Exit Plan, and ensuring a smooth transition including the following resources for knowledge transfer:
 - 10.4.3.1 process experts;
 - 10.4.3.2 technology experts;
 - 10.4.3.3 trainers; and
 - 10.4.3.4 subject/operational experts; and
- 10.4.4 the Contractor delivering the Exit Plan to budget and timescales agreed.

11. **Delivery of Exit Plan**

11.1 ***During design and testing***

During the design and testing phase the Contractor shall be committed to:

- 11.1.1 working towards and achieving the deadlines set out within the Exit Plan;
- 11.1.2 providing or providing access to the following personnel:
 - 11.1.2.1 a full time project manager;
 - 11.1.2.2 networks and infrastructure teams;
 - 11.1.2.3 process lead;
 - 11.1.2.4 training team leads;
 - 11.1.2.5 operational management; and
 - 11.1.2.6 test resource (including UAT);
- 11.1.3 providing access to any third parties on Client's behalf;
- 11.1.4 developing the solution design with Client and any third party provider;

- 11.1.5 aiding in the development of the detailed migration plan, commitment to signing off and delivery to the dates set out in such detailed migration plan; and
- 11.1.6 agreeing contingency plans.

11.2 ***Migration Phase***

During migration to Client or a third party the Contractor will provide the following:

- 11.2.1 operations manager and team lead to support migration to the new site;
- 11.2.2 all necessary documentation for a smooth hand over;
- 11.2.3 phased approach away from the Contractor with staff parallel working to minimise the risk of business or customer disruption;
- 11.2.4 acceptance of each migration with Client or a third party;
- 11.2.5 contingency for any delays within the Contractor operation;
- 11.2.6 train the trainer support and support of training to the new provider or the Client during ramp-up as set out in the relevant Exit Plan; and
- 11.2.7 skills transfer from all levels of the Contractor's organisation that were maintaining Client contract.

11.3 ***Closure of the Exit Plan***

The Exit Plan is complete when:

- 11.3.1 all processes have been migrated and officially accepted;
- 11.3.2 all system links have been severed including:
 - 11.3.2.1 telephone network;
 - 11.3.2.2 routing systems;
 - 11.3.2.3 IS data lines;
 - 11.3.2.4 removal of any software and hardware owned by Client from the Contractor's site;

- 11.3.3 all outstanding issues have been dealt with by the Contractor or the third party instructed by Contractor or logged and passed back to Client;
- 11.3.4 all Client Materials have been returned to Client; and
- 11.3.5 all transition and migration plans which have been agreed by the parties pursuant to **paragraph 9** are complete and final hand over of all documents and materials required by the Exit Plan have been achieved.

12. **Allocation of Charges**

12.1 If the Work Contract is terminated early by Client pursuant to **clauses 32.1** or **32.2.1** then the Contractor shall be liable for all of the Contractor's own costs, together with those costs incurred by Client as a consequence of early termination including:

- 12.1.1 the cost of procuring a new provider;
- 12.1.2 Client's travel costs incurred in implementing the Exit Plan;
- 12.1.3 Client's internal management cost for time incurred in managing the Exit Plan process;
- 12.1.4 Client's internal resource cost in implementing Client's Exit Plan obligation; and
- 12.1.5 any costs incurred by Client in undertaking actions required of the Contractor in the Exit Plan, but which the Contractor has failed to undertake, notwithstanding written notice from Client requiring such action to be undertaken,

and provided that Client shall act reasonably and use its best endeavours to mitigate, and ensure that any new provider mitigates its costs under this Schedule. All charges made by Client to the Contractor pursuant to this **paragraph 12.1** shall be supported by reasonable evidence of time or expense incurred. The maximum costs which the Contractor shall be required to pay to Client pursuant to this **paragraph 12.1** shall be £750,000.

12.2 In any circumstances other than those specified in **paragraph 12.1**, when the Work Contract is terminated or expires, each party shall bear its own costs in developing and implementing the Exit Plan pursuant to this **Schedule 9** provided that if Client requires the Contractor to undertake an action which is onerous or unusual, Client shall pay the Contractor's reasonable costs in performing such action (provided the Contractor provides reasonable evidence to support its costs).

13. **Miscellaneous**

- 13.1 Client shall be entitled in its absolute discretion, on reasonable notice during normal business hours at any time following the Activation Date until satisfactory completion and implementation of an Exit Plan, to undertake in conjunction with the Contractor an inspection of the Premises to determine whether it considers that the Contractor is co-operating with, and is fulfilling its obligations set out in, the Exit Plan.
- 13.2 The Contractor shall promptly on request at any time following the Activation Date disclose to Client and the new provider (if any) details, with reasonable clarity, of all ongoing work in progress and projects relating to the Exit Plan and any ongoing Services.
- 13.3 Each of Client and the Contractor undertakes to the other to do all such acts and execute all such deeds and documents as may be necessary to give effect to the provisions of the Exit Plan.
- 13.4 The Contractor shall use reasonable endeavours to mirror the terms of this **Schedule 9** in any and all contracts with subcontractors. Any costs incurred by the Contractor from subcontractors as a consequence of having not included an appropriate clause in subcontractor's contracts shall be at the Contractor's cost.
- 13.5 Where Client has decided to exit to a third party supplier, the Contractor will be required to work with the third party to ensure that the migration is carried out as efficiently and effectively as reasonably possible, with the intention of minimising the risk of disruption to Client's operations, and further to ensure that there is a comprehensive knowledge transfer to such third party by the Contractor (including "train the trainer" sessions run by the Contractor for reasonable numbers of third party and/or Client employees). For the avoidance of doubt, this may include the Contractor providing reasonable access to the Premises and any of its other sites where any materials reasonably requested by Client for knowledge transfer are kept.
- 13.6 Where third parties form part of the Contractor's solution, the Contractor shall provide reasonable access to the said third parties in accordance with the Exit Plan.
- 13.7 In the event that Client requests the implementation of an Exit Plan, Client shall, without breach of this Agreement, be permitted to contact, discuss and impart

information regarding this Agreement to any third party supplier nominated by Client as an alternative service provider to the extent necessary for the third party supplier to provide the services intended to be migrated pursuant to the Exit Plan.

13.8 Any dependencies and exclusions from liability shall continue to apply in respect of Services performed by the Contractor during any Continuation Period. For the avoidance of doubt KPIs shall continue to apply up until the date of termination, but following the date of termination the Contractor shall use its reasonable endeavours to comply with KPIs.

13.9 Client agrees that:

13.9.1 where it requires a third party provider to access the Contractor's Premises; or

13.9.2 Client provides a third party provider access to the Contractor's data,

it shall, prior to such third party having access to the Premises or to the data, procure that such third party executes both a confidentiality agreement with Client and a confidentiality agreement with the Contractor, providing that such third party owes duties of confidentiality to both Client and the Contractor which are at least equivalent to the confidentiality obligations contained in this Agreement and shall contain a prohibition on disclosure of such access. The confidentiality agreements referred to in this paragraph shall be in the form of that contained in **Schedule 1**, into which shall be incorporated a non-solicitation provision prohibiting the solicitation by such third party of the Contractor's Staff (such provision to be substantially similar to that contained in **clause 49**).

13.10 In addition to the requirements of **paragraph 13.9**, Client agrees that where it requires a third party provider to have the benefit of knowledge transfer, which will need to be provided by representatives of the Contractor, where reasonably practicable Client and the Contractor shall, subject to **paragraph 13.11**, arrange that the meeting/training take place at a mutually acceptable location not located in the Contractor's Premises.

13.11 Client may request, and the Contractor shall agree, that up to four members of a third party provider (whether or not a Contractor Competitor) may access the areas of the Premises dedicated to the provision of the Services, provided that such third party:

13.11.1 shall only be allowed access for manager grade staff and, in particular, not agents; and

13.11.2 may not direct or manage any of the Contractor's Staff.

If the third party breaches any of the requirements in this **paragraph 13.11**, Client agrees that the Contractor may require such third party to immediately leave the Premises and may refuse access to the Premises to such third party in the future.

SCHEDULE 10

DEFECTS NOTICE PRO-FORMA

Date: [Enter Date]
Details Of Defect: [Enter Date]
Service Elements Affected: [Enter Date]
Proposed Action: [Enter Date]
Date For Commencement Of Proposed Action: [Enter Date]
Estimated Completion Date Of Action: [Enter Date]

For and on behalf of

[Client]

Signed _____

Name: _____

Position: _____

SCHEDULE 11

SUSPENSION RIGHTS PRO-FORMA

Date: [Enter Date]
Reason For Exercising Suspension Rights: [Enter Date]
Service Elements Affected: [Enter Date]
Proposed Action: [Enter Date]
Date For Commencement Of Proposed Action: [Enter Date]
Estimated Completion Date Of Action And Resumption Of Affected Service Elements: [Enter Date]

For and on behalf of

[Client Group Company]

Signed _____

Name: _____

Position: _____

Date: _____

SCHEDULE 12

STEP-IN RIGHTS NOTICE PRO-FORMA

Date: [Enter Date]
Reason For Exercising Step-In Rights: [Enter Date]
Service Elements Affected: [Enter Date]
Proposed Action: [Enter Date]
Date For Commencement Of Proposed Action: [Enter Date]
Estimated Completion Date Of Action: [Enter Date]

For and on behalf of

[Client Group Company]

Signed _____

Name: _____

Position: _____

Date: _____

SCHEDULE 13

CONTRACTOR COVENANTS

1. Introduction

- 1.1 The Contractor gives three Contractor Covenants as to its financial position. These are set out in paragraph 4 of this Schedule 13.
- 1.2 The purpose of this Schedule 13 is to measure the financial position of the Contractor, which if in Failure gives rise to certain options specified in the Agreement.

2. Provision of Accounts

- 2.1 As soon as possible following the end of each quarter (being 31 March, 30 June, 30 September and 31 December) the Contractor shall provide Client with its quarterly accounts (“**Accounts**”) when made public by the Contractor, but in any event in accordance with the current SEC reporting requirements, from time to time.
- 2.2 All ratios currently denote the line item captions used in the ExlService Holdings, Inc. (“**EXL US**”) audited financial statements for the year-ended December 31, 2011. In the event that the line item caption is changed or modified in any future financial statement, or if new line items are added or removed, it will be the substance of the line item information that will determine whether or not the information is to be reflected in the determination of the Contractor Covenants.
- 2.3 Capitalised terms appearing in this clause, but not elsewhere in the Agreement, refer to specific elements in the Accounts.

3. Failure of Contractor Covenants

- 3.1 Following the date the Contractor supplies the Accounts, Client shall calculate the ratio for each of the Contractor Covenants based upon such Accounts. Such Accounts shall be the “**Current Accounts**” until Client is issued with the Accounts for the next quarter, at which time (for the avoidance of doubt) the new Accounts shall become the Current Accounts.
- 3.2 If one or more Contractor Covenant has been failed, then during the period in respect of which the Current Accounts apply, the Contractor Covenants shall be in “**Failure**”. If the Contractor Covenants are in Failure, Client agrees that it shall enter into such dialogue with the Contractor as is reasonable in the circumstances. The Contractor shall co-operate with all reasonable requests made by Client to validate accounting data.

3.3 Client shall not be obliged to exercise any rights under this Agreement if one or more of the Contractor Covenants is in Failure. Subject to **paragraph 3.4**, if Client does not take any action in respect of the Failure of Contractor Covenants, this shall not prejudice Client's right to take such action if, at a future date when the Contractor Covenants are in Failure, Client wishes to exercise the rights set out in this Agreement.

3.4 Client may only exercise rights associated with Contractor Covenants Failure during the period of the then applicable Current Accounts. Upon receipt of new Current Accounts, Client may only exercise rights associated with Contractor Covenants Failure if the new Current Accounts show a Failure of one or more Contractor Covenants.

4. Contractor Covenants

4.1 Contractor Covenant 1 – Debt to Equity (EXL US)

4.1.1 The Debt to Equity ratio is a measure of the degree of leverage (or borrowed capital) that EXL US and its subsidiaries utilize. Leverage is the amount of debt relative to equity used to finance a firm's assets. A firm with significantly more debt than equity in its capitalisation is considered to be highly leveraged and therefore subject to a higher degree of financial risk than a firm with a lower degree of leverage. The ratio is defined as (Debt divided by Equity).

CONTRACTOR COVENANT 1: THE DEBT TO EQUITY RATIO FOR EXL US (INCORPORATING EXL INDIA) IS NO MORE THAN 3:1

4.1.2 For the purpose of this **paragraph 4.1.2**:

4.1.2.1 **"Debt"** shall mean the total of debt or indebtedness in the nature of debt as noted in the Consolidated Balance Sheet under the caption "Total liabilities", and for the avoidance of doubt will exclude the following line items:

- (i) Accounts payable;
- (ii) Deferred revenue;

- (iii) Accrued employee cost;
 - (iv) Other accrued expenses and current liabilities; and
 - (v) Income tax payable;
- 4.1.2.2 for greater clarity, “Debt” will specifically include the following:
- (i) all bank debt;
 - (ii) capital leases;
 - (iii) senior long-term debt; and
 - (iv) the present value of operating leases disclosed in the notes to the financial statements;
- 4.1.2.3 for the purposes of this **paragraph 4.1.2:**
- (i) bank debt will mean any amounts for debt issued by a financial institution;
 - (ii) no exclusion of debt which is obtained from non-arms length parties, or redeemable preferred stock with retractable-like provisions; and
 - (iii) present value of operating leases shall mean the present value of gross operating lease commitments as identified in the notes to the financial statements discounted at the current U.S. Federal Funds Rate as of the reporting date as reported on Bloomberg.com (<http://www.bloomberg.com/markets/rates>); and
- 4.1.2.4 “**Equity**” shall mean the sum of the following items:
- (i) total stockholders’ equity;
 - (ii) liquidation value of all non-retractable preferred share capital, if any;
 - (iii) minority interests; and

- (iv) deferred income tax credit balances less any “Deferred income tax” debit balances. If the resulting amount is less than zero, then the amount will be deemed nil for the purposes of this calculation.

4.2 Contractor Covenant 2 Free Cash Flow to Debt ratio (EXL US)

4.2.1 The Free Cash Flow to Debt ratio, which is a measure of financial strength, measures the liquidity of an organisation to service its debt. The ratio is defined as (Free Cash Flow divided by Debt) times 100

CONTRACTOR COVENANT 2: THE FREE CASH FLOW TO TOTAL DEBT RATIO FOR EXL US (INCORPORATING EXL INDIA) IS MORE THAN 25%.

4.2.2 For the purposes of this **paragraph 4.3:**

4.2.2.1 “**Free Cash Flow**” shall mean the sum of the following items:

- (i) Net Cash provided by (used in) operating activities;
- (ii) minus one times the sum of all common and preferred dividends declared;
- (iii) minus one times the capital expenditures;
- (iv) common equity share issue net of debt repayment; and
- (v) opening period cash and cash equivalents; and

4.2.2.2 “**Debt**” shall have the same meaning as defined in **paragraph 4.1.2.1** (and clarified pursuant to **paragraphs 4.1.2.2 and 4.1.2.3**).

4.2.3 The following assumptions will be made by Client in calculating the Free Cash Flow to Debt ratio:

4.2.3.1 in **paragraph 4.3.2.1** above, items i) through iv) will be calculated on a rolling four-quarter period basis; and

4.2.3.2 Opening position at the beginning of any twelve Month period for unrestricted cash and cash equivalents.

4.2.3.3 The capital expenditure amount will reflect the gross capital expenditure amount as identified in the Statement of Changes in Cash Flow provided in the Current Accounts without taking into account any funds provided for by any Contractor's customers in advanced and deferred by Contractor in the Current Accounts.

SCHEDULE 14

TERMS OF CONDITIONAL TRANSFER

1. Principle

- 1.1 This **Schedule 14** sets out the principles upon which Client may request and the Contractor shall facilitate, the transfer of certain employees, assets (other than owned real estate), key contracts and software to Client or one of its Affiliates or in the case of employees, assets and key contacts to a third party nominated by Client.
- 1.2 It is anticipated that the parties will enter into a transfer agreement to regulate the transfer of employees, assets and key contracts. Such transfer agreement shall be based upon the principles set out in this **Schedule 14** and shall be negotiated by the parties in good faith with the aim of achieving the timescale set out in **paragraph 2.5** below.
- 1.3 Client may only exercise its option to implement this **Schedule 14** in the event, and during the period, that one or more of the Contractor Covenants is in Failure.
- 1.4 For the avoidance of doubt the principles set out in this **Schedule 14** are options which Client may exercise and only those options which Client indicates in writing that it wishes to exercise shall form the basis of the transfer agreement.
- 1.5 Nothing in this Schedule shall oblige any of the Parties to do anything which is prohibited by the Regulations.
- 1.6 Nothing in this Schedule shall obligate Contractor to convey real estate owned by it.

2. Process

- 2.1 If this **Schedule 14** is implemented by Client (by notice in writing served upon the Contractor) pursuant to **Schedule 13** then within 7 Business Days the Contractor shall:
 - 2.1.1 provide to Client a list of assets (other than real estate owned by Contractor) which are dedicated to providing the Services to Client and whether these are owned absolutely by the Contractor or held on lease/hire or other similar finance terms other than those permanently affixed to the Premises ("**Dedicated Assets**");

- 2.1.2 provide to Client a list of assets which are used to provide the Services to Client, but which are not solely used for provision of the Services to Client (“**Infrastructure Assets**”);
 - 2.1.3 identify and provide details of all Staff wholly or substantially engaged in the provision of the Services at such time as Client implements this **Schedule 14** (“**Relevant Employees**”) together with full details of their terms of employment including their Emoluments;
 - 2.1.4 provide a detailed schematic showing the network connections between the assets mentioned in **paragraphs 2.1.1** and **2.1.2** necessary for re-establishing the network in another location;
 - 2.1.5 provide details of all Software utilised in the provision of the Services and the terms of all licences/permissions relating to its use and on which Hardware it is used;
 - 2.1.6 provide to Client full details of all dedicated contracts or arrangements (including without limitation any maintenance agreements) used solely to assist in the provision of the Services (the “**Contracts**” and where these relate to any subcontracted elements of the Services “**Sub-Contracts**”); and
 - 2.1.7 detail any issues it foresees in Client exercising its rights in this **Schedule 14**.
- 2.2 Client and the Contractor shall, within 7 Business Days of the end of the timetable for the Contractor to carry out its obligations under **paragraph 2.1**, meet to agree the practical arrangements necessary to effect the relevant transfers, complying strictly with the principles set out in this **Schedule 14**.
- 2.3 Client may exercise one of the following two options:
- 2.3.1 if Client intends to take over the provision of the Services itself or through an Affiliate it shall have the option to require the provisions of **paragraph 3** to apply, plus such of **paragraphs 4, 5, 6, 7, 8, 9** and **10**, as it shall specify, to apply; and
 - 2.3.2 if Client wishes to nominate a third party to be the transferee under the transfer agreement it shall have the option to require the provisions of **paragraph 3** to apply plus such of **paragraphs 4, 5, 7** and **8**, as it shall specify, to apply.

Client shall advise the Contractor in writing within 5 Business Days of the meeting held pursuant to **paragraph 2.2** which options it wishes to exercise pursuant to this paragraph.

2.4 The Contractor shall act in good faith and offer all reasonable assistance which is necessary for Client to exercise the options selected pursuant to this **Schedule 14** including liaising with and gaining any necessary consents and/or authorisations from any regulatory authorities. The Contractor shall undertake all such reasonable actions as are necessary to give effect to this **Schedule 14**. Client shall be responsible for all reasonable and necessary costs incurred by the Contractor in carrying out its obligations under this paragraph together with the cost of any customs duties arising on the debonding of any of the Dedicated Assets pursuant to **paragraph 4**.

2.5 The timescale for the transfer of employees and/or assets from the Contractor to Client, or Client's new service provider, is 21 Business Days from the date of Client's notice pursuant to **paragraph 2.3** or, such earlier date as the parties shall agree (the "**Transfer Date**"). The Contractor and Client shall use their best endeavours to do all they can to achieve this timescale.

2.6 The Contractor agrees that Client may, pursuant to **paragraph 2.3.2**, choose to transfer the Relevant Employees, plus such of the Dedicated Assets, Contracts and Sub-Contracts as it shall nominate to a third party service provider and in such circumstances the Contractor shall co-operate with such third party to the extent necessary to give effect to this **Schedule 14**.

2.7 If Client exercises either of the options set out in this **Schedule 14** then from the date of the exercise of such option to the Transfer Date the Contractor shall only be obliged to use all reasonable endeavours to comply with the Service Levels under all Work Contracts then subsisting.

3. **Employees**

3.1 If Client exercises its option in relation to the Relevant Employees the provisions of this **paragraph 3** shall apply.

3.2 The Contractor shall, in accordance with reasonable directions to be provided by Client, allow up to 10% of the Assistant Managers and below and 10% of the Managers and above who are Relevant Employees as Client shall specify (the "**Chosen Relevant Employees**") to be offered employment by Client upon substantially the same terms and conditions as are in effect at that time with the Contractor.

- 3.3 The Contractor shall do all things and take such reasonable action as shall be reasonably requested by Client to encourage the Chosen Relevant Employees to transfer their employment to Client with effect from the Transfer Date and the Contractor and its Affiliates shall not following the Transfer Date make any offer to or approach all or any of the Chosen Relevant Employees to solicit or engage their services as employees or agents and shall not engage the services of any Chosen Relevant Employee as an employee or otherwise for a period of 12 months following the Transfer Date.
- 3.4 All the Emoluments and Employment Liabilities relating to the Chosen Relevant Employees who transfer shall be borne by the Contractor up to and including the Transfer Date, and Emoluments and Employment Liabilities in relation to the Chosen Relevant Employees arising after the Transfer Date (other than due to some act or omission on the part of the Contractor) shall be borne by Client and shall if necessary be apportioned on a time basis.
- 3.5 In consideration of the transfer of the Chosen Relevant Employees Client shall, subject as stated, on the first Business Day being at least 32 days after the Transfer Date pay to the Contractor the appropriate sum specified below in relation to each full time equivalent (“FTE”) in time of the Chosen Relevant Employees who accept employment with Client (or its nominee) and are still employed by Client (or its nominee) and have not given notice to terminate such employment 30 days later. Such FTE shall be calculated by reference to the average working hours with the Contractor for each Relevant Employee that transfers to Client over the three month period preceding the date of transfer.

The appropriate sum per Chosen Relevant Employee is:

<u>Category</u>	<u>Amount - £ Sterling</u>	
Agent, Supervisor, floorwalker or QA	£	2,500
Manager, vice president or associate vice president	£	7,500

4. **Owned Dedicated Assets**

- 4.1 If Client exercises its option in relation to Dedicated Assets, on the Transfer Date Client or its nominee shall purchase from the Contractor and the Contractor shall sell

all the Dedicated Assets which are owned absolutely by the Contractor at the fair market value agreed between the parties. Where Client has historically paid for specific assets, the fair market value of those assets shall be zero and accordingly Client shall not make any payment in relation to such assets. If the parties are unable to agree on the fair market value, the dispute shall be submitted to the Dispute Resolution Procedure.

4.2 The transfer agreement shall provide for the full and effective transfer of the assets to Client. The Contractor shall provide warranties as to its absolute and unfettered ownership of the Dedicated Assets and the properly maintained state and condition (subject to fair wear and tear) of the Dedicated Assets.

4.3 The consideration calculated in accordance with **paragraph 4.1** shall be payable within 30 days of the Transfer Date.

5. **Leased/Financed Dedicated Assets**

5.1 If Client exercises its option in relation to Dedicated Assets, the Contractor shall use commercially reasonable endeavours to obtain the consent of the relevant owner/lessor to the assignment to Client or its nominee of such of the Dedicated Assets as are subject to hire/lease or other similar finance arrangements, and on the Transfer Date the Contractor shall assign all such hire/lease or other similar finance arrangements to Client. Client (or its nominee) shall as part of the transfer agreement enter into such form of assignment as the Contractor shall reasonably require.

5.2 Client shall pay any reasonable costs and expenses associated with such arrangement.

5.3 The transfer agreement shall contain warranties by the Contractor as to the status of title to the Dedicated Assets being fully in accordance with the terms of the lease, hire or finance agreement relating to such Dedicated Assets, that all payments relating to their use or enjoyment are up to date and that they are in a properly maintained state and condition and otherwise are in compliance with the terms of the lease/hire or finance agreement relating to their use.

6. **Software**

6.1 If Client exercises its option in relation to the Software, on the Transfer Date the Contractor shall in relation to the Software specified by Client do as follows:

6.1.1 in relation to Software owned by the Contractor or any of its Affiliates grant to Client or its nominated Affiliate a non-exclusive non-transferable and

non-sublicensable royalty free licence to use such Software for a period of up to 6 months (as Client shall request). Such licence shall for a period, save as stated, be on arms length commercial terms;

6.1.2 in relation to Software owned by a third party (other than Contractor's Affiliates) and licensed to the Contractor use its best endeavours to obtain the consent to the assignment of the license(s) relating to such Software to Client and Client or its nominated Affiliate with effect from the Transfer Date and Contractor shall enter into such form of assignment as the Contractor shall reasonably require.

6.2 Client shall pay any reasonable costs and expenses associated with such arrangement.

6.3 In relation to Software the subject of **paragraph 6.1.1** then if, prior to expiry of the royalty free licence granted pursuant to that paragraph, the parties agree, they shall enter into arms length commercial terms including royalties for the continued use of such Software and subject to such, Client shall be entitled to continue the uninterrupted use of such Software and licence.

7. **Contracts**

7.1 If Client exercises its option in relation to the Contracts, Contractor shall use its best endeavours to procure that all such Contracts shall be assigned, where capable of assignment, to Client or its nominated Affiliate or, where novation is necessary, shall be novated in favour of Client or its nominated Affiliate with effect in either case from the Transfer Date.

7.2 The parties shall use all commercially reasonable efforts to obtain consent to such assignment or novation where it is necessary, as soon as practicable from the other parties to the contract or arrangement, and in the meantime the Contractor shall hold any such contract or arrangement in trust for Client and shall account to Client or its assignee without any deduction or withholding in respect of any sums or other benefits received by the Contractor in relation thereto relating to any period after the Transfer Date and Client shall perform any obligations of the Contractor under such contracts or arrangements arising after the Transfer Date as agent of the Contractor.

8. **Subcontract**

8.1 If Client exercises its option in relation to the Contracts, the Contractor shall use its best endeavours to procure that all Sub-Contracts shall be assigned, where capable of

assignment, to Client or its nominated Affiliate or, where novation is necessary, shall be novated in favour of Client or its nominated Affiliate with effect in either case from the Transfer Date.

8.2 Client shall accept such assignment and the Contractor and Client shall do all or procure the doing of all such acts and things and will execute or procure the execution of all such documents as may be required to effect such assignment.

9. **Infrastructure Assets**

9.1 If Client exercises its option in relation to Infrastructure Assets, the parties shall negotiate in good faith to agree and enter into arrangements on arm's length commercial terms under which Client or its nominated Affiliate can continue to enjoy the use of such Infrastructure Assets from the Transfer Date to the extent they were previously used by the Contractor in the provision of the Services.

10. **Licence of Properties**

10.1 If Client exercises its option in relation to the Premises, the Contractor shall provide a licence of those parts of the Premises used solely to provide the Services for such period of up to 3 months from the Transfer Date as Client shall reasonably require on such terms as shall reflect fair market terms for such licence including the provision of and payment for all shared support services necessary to allow Client or its nominated Affiliate to effectively occupy and use such parts of the Premises (including for the avoidance of doubt power any transmission and back-up generator support).

11. **Authorisation**

11.1 Where the arrangements envisaged in this Schedule are subject to any consents, authorisation or other regulatory requirements parties shall both use all reasonable efforts to procure compliance with the same so as to give full effect to the terms of this Schedule.

12. **Works Contract/Agreement**

12.1 Where Client exercises its rights under this **Schedule 14**, the Agreement and all Work Contracts shall terminate with effect from the Transfer Date save for this Schedule and any other provisions stated to survive and without prejudice to any rights or remedies of any party accrued prior to termination.

13. **Miscellaneous**

- 13.1 Where a sum is payable pursuant to this Schedule on a date and the amount of such sum is not ascertained as at that date, then such sum shall be payable within 7 days of it being ascertained and advised or invoiced by the Contractor to Client or its assignee as appropriate.
- 13.2 In addition to the matters referred to in **paragraphs 1 to 12** inclusive the parties shall have regard to all other matters that require addressing or arise on termination and shall negotiate in good faith to resolve the same.
- 13.3 Where any rights or obligations are transferred to Client or its nominee pursuant to **paragraphs 4, 5, 7 and/or 8** of this **Schedule 14** the terms of the transfer agreement shall provide for:
- 13.3.1 the Contractor to carry out all of its obligations thereunder up to the Transfer Date and to indemnify the Client or its nominee (as appropriate) for any losses, claims or expenses that Client shall suffer as a result of a failure by the Contractor to carry out such obligations; and
- 13.3.2 the Client or its nominee (as appropriate) to carry out all of the obligations of the Contractor thereunder from the Transfer Date and to indemnify the Contractor for any losses, claims or expenses that the Contractor shall suffer as a result of a failure by Client or its nominee (as appropriate) to carry out such obligations.

SCHEDULE 15

PROFORMA WORK CONTRACT

(to be used for FTE based pricing)

DATED

2012

- (1) [CLIENT]
- (2) EXLSERVICE HOLDINGS, INC
- (3) EXL SERVICE.COM (INDIA) PRIVATE LIMITED

WORK CONTRACT NUMBER [1]

Entered into pursuant to
Agreement Reference: [TO SPECIFY]

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BETWEEN

- (1) [CLIENT] (registered as a limited company in England under number [NUMBER]) whose registered office is at [ADDRESS] (“Client”);
- (2) Exlservice Holdings, Inc., a Delaware corporation with its principal office at 280 Park Avenue, 38th Floor, New York, NY 10017, USA (“EXL US”); and
- (3) Exl Service.com (India) Private Limited, an Indian private limited company with its principal office at 48 Sector 58, Noida, UP 201 301, India (“EXL India”).

BACKGROUND

Client and the Contractor have entered into an Agreement (reference: [SPECIFY]) and Client and the Contractor are entering into this Work Contract pursuant to the terms of the Agreement.

OPERATIVE CLAUSES

1. Interpretation

1.1 In this Work Contract the following expression shall have the following meanings:

“Actual Volumes”	the actual volume of work in any one Month that is received by the Contractor from Client;
“Agreement”	the framework agreement entered into by Client and the Contractor with reference to [SPECIFY];
“Client Application”	those IS systems that Client provides to the Contractor to use to provide the Services, as set out in Schedule 3 and Annex 7 ;
“Contract Term Start Date”	date of signature of this Work Contract by both parties;
“Contractor”	each and/or both (as appropriate) of EXL US and EXL India;
“Data”	[insert the various types of information that Client will provide to the Contractor];
“FTE”	full time equivalent, being the provision of the Service

Element for the number of productive hours agreed pursuant to **paragraph 2.7.2 of Annex 6**. For the avoidance of doubt the definition “FTE” is not synonymous with an agent as an agent entitled to public holidays, annual leave and other non-productive time which reduce the number of total working hours.

“Initial Term”

the period of [NUMBER] months following the Service Commencement Date [*parties to vary this definition if multiple Service Elements may commence independently, in order to determine what triggers commencement of the Initial Term.*]; and

“Payment Milestone”

a point in the Transition Plan at which time Contractor shall invoice Client and Client shall pay the Contractor in accordance with **clause 19** of the Agreement for certain of the Implementation Services, subject to the relevant conditions being met;

“Services”

the services set out in **Annex 2** to this Work Contract that the Contractor has agreed to provide to Client, including the Service Elements, the Sub-Processes and the Work Threads (all of which are defined in Annex 2);

[“Scheduling Software”]

[*the Contractor’s Staff Optimisation & Forecasting Tool (SOFT), as notified to Client in its response to Client’s RFP*];

“Transition Management”

the day-to-day management of the Transition Plan and any related documents, as set out in **Annex 1** and **Annex 8**;

“Transition Project Plan”

the plan that underlies the Transition Plan, containing a detailed plan for the management of the Implementation Services, as provided for in **paragraph 3** of **Annex 1**;

“Transition Team”

the team responsible for delivery of the Transition Project Plan and Transition Plan, as set out in **paragraph 7** of **Annex 1** and **Annex 8**;

1.2

Unless otherwise specified herein, words and expressions in this Work Contract shall have the meanings ascribed to them in the Agreement.

1.3 References to Schedules are to Schedules of the Agreement. References to an Annex are to Annexes of this Work Contract.

2. **Status of Work Contract**

2.1 This Work Contract is created pursuant to the Agreement and sets out certain Services, which the Contractor has agreed to supply to Client.

2.2 [This is a Grouped Work Contract. The other Work Contracts with which it is grouped are: [TO SPECIFY]]

2.3 [If a future Work Contract is also to be grouped with this Work Contract, the parties shall agree this using the Change Control Procedure.]

2.4 The terms of the Agreement (save for **clause 5** of the Agreement) shall apply to this Work Contract as set out therein.

3. **Provision of the Services**

3.1 The Contractor agrees to provide the Services in accordance with all the terms of this Work Contract.

3.2 The Charges to be made by the Contractor pursuant to **Schedule 7** of the Agreement are summarised in **Annex 6**. Client agrees to pay, in accordance with the terms of this Work Contract (including the Annexes), all Charges properly levied in accordance with this Agreement.

AS WITNESS the hands of the duly authorised representatives of the parties on the date stated at the beginning of this Agreement.

SIGNED by [NAME])
duly authorised to sign for and on behalf of)
[CLIENT])
in the presence of:)

SIGNED by [NAME])
duly authorised to sign for and on behalf of)
[CONTRACTOR])
in the presence of:)

THE TRANSITION PLAN

1. **Introduction**

1.1 This **Annex 1** details the Transition Plan for the successful migration of the Services from Client to the Contractor.

1.2 *[This Work Contract has a number of Grouped Work Contracts associated with it for the purposes of [—]. The Grouped Work Contracts for the purpose of this Work Contract are [—].]*

1.3 The Contractor's Implementation obligations under this Work Contract are set out in three key areas:

1.3.1 **paragraph 4** setting out the Implementation Services;

1.3.2 **paragraph 5** setting out the Deliverables; and

1.3.3 **paragraph 6** detailing the Key Milestones.

2. **General Principles**

2.1 The Contractor and Client shall use [—] to manage the Transition Plan.

2.2 The Contractor shall be responsible for management of the Implementation Services in order to deliver the Transition Plan in accordance with its terms.

2.3 As part of its Transition Management duties, the Contractor shall maintain up to date versions of certain documents, which shall include but not be limited to the following:

2.3.1 high level and detailed timelines;

2.3.2 a risks and issues register;

2.3.3 an assumptions log;

2.3.4 weekly progress reports; and

2.3.5 [—],

which shall promptly be made available by the Contractor to Client on reasonable request.

- 2.4 The parties shall use the following software packages for the purpose of [—]:
- 2.4.1 [—].]
- 2.4.2 [—] Microsoft Office
- 2.5 Changes to the Deliverables, Implementation Services and/or Key Milestones shall be subject to the Change Control procedure set out in **Schedule 4** of the Agreement.
- 2.6 Specific dependencies are set against each element of the Implementation Services, Deliverables and Key Milestones. Where the Contractor is unable to fulfil an element of the Implementation Services, Deliverables and/or Key Milestones, then to the extent that this is caused by Client’s failure to fulfil a specific dependency identified for the relevant item, the Contractor shall not have any liability, nor shall a right arise for Client to terminate, in respect of the Contractor’s failure.
- 2.7 If it becomes apparent during the Implementation Period that additional dependencies properly should have been specified against certain elements of the Implementation Services, the Contractor may, pursuant to the Change Control Procedure, propose that such additional dependencies be set against specific items. Client will not withhold consent to the addition of specific dependencies where such dependencies are apparent and reasonable requirements of Client.

3. **The Transition Project Plan**

- 3.1 A Transition Project Plan shall be agreed by the parties promptly on commencement of the Work Contract and shall be used by the Contractor and Client to manage the transition of the Services to the Contractor.
- 3.2 The parties shall, as far as practicable, adhere to the dates and events set out in the Transition Project Plan, recognising the requirement to act in good faith and to support the other party.

4. **Implementation Services and Deliverables**

- 4.1 The Contractor shall carry out the Implementation Services and Deliverables set out in the table below by the dates specified and in accordance with the relevant provisions of this Work Contract and the Agreement.

<u>Implementation Service</u>	<u>Deliverable</u>	<u>Testable Outputs/(Acceptance Criteria where relevant)</u>	<u>Delivery Date</u>	<u>Client Dependencies</u>
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- 4.2 Those Implementation Services and/or Deliverables that have Testable Outputs associated with them shall be subject to the acceptance process set out in **clause 8** of the Agreement.
- 4.3 The Contractor shall propose the detailed design of reports to be used by the Contractor in fulfilling its reporting requirements set out in **Annex 4** of this Work Contract. The Work Contract shall incorporate any reasonable requirements of Client into a revised revision of such report design, if requested. The parties shall agree the final form and detailed designs of all such reports.
5. **Key Milestones**
- 5.1 The Contractor shall meet each of the Key Milestones set out in **clause 5.5** below.
- 5.2 Each Key Milestone shall have Liquidated Damages associated with it. If the Contractor fails to meet the Liquidated Damages Level for any of the Key Milestones, as set out in the table at **clause 5.5**, the Contractor shall pay to Client the Liquidated Damages specified in **clause 5.3** below for each failure.
- 5.3 The Liquidated Damages payable to Client for each failure, in accordance with **clause 5.2** above shall be £[—], subject to the maximum value of Liquidated Damages paid to Client not exceeding 10% of the actual Implementation Charges.
- 5.4 If the Contractor fails to meet the Key Milestone Termination Level of one or more Key Milestones, as set out in the table at **clause 5.5**, then Client shall have the right to terminate the Work Contract in accordance with **clause 9.4** of the Agreement.

5.5 The Key Milestones for the purpose of this Work Contract are set out in the following table:

<u>Key Milestone</u>	<u>Level of performance against the Key Milestone to trigger payment of Liquidated Damages to Client (the "Liquidated Damages Level")</u>	<u>Level of performance against the Key Milestone to trigger a right of termination for Client (the "Key Milestone Termination Level")</u>	<u>Client Dependencies</u>
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6. **Payment Milestones**

6.1 Payments for the Implementation Services shall be made on a milestone basis (each payment milestone being a "**Payment Milestone**"). [These payments will represent the total Charges to be paid by Client to the Contractor for performance of the Implementation of Services for all the Grouped Work Contracts.]

6.2 The Contractor shall invoice Client for the Implementation Services as set out in the table below:

<u>Payment Milestone</u>	<u>Anticipated Amount of the Invoice</u>	<u>Payment Trigger</u>	<u>Target Invoice Date (subject to reaching the relevant Payment Milestone)</u>
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6.3 The Contractor shall submit in writing to Client its proposed Implementation Charges for each Payment Milestone, itemising all items. Such submission shall be in accordance with the pricing principles in **Schedule 7** and **Annex 6** to this Work Contract. Such submission may have an "Other Items" section to a maximum sum of £5,000 per Month, which may be used by the Contractor for charges of a minor nature necessary to fulfil the Implementation Services,

6.4 The Contractor shall obtain Client's prior written consent (not to be unreasonably delayed) to the Contractor's submission, pursuant to **paragraph 7.3**, before incurring any Implementation Charges.

6.5 Upon achievement of each Payment Milestone the Contractor may submit an invoices for the Implementation Charges agreed by Client pursuant to **paragraph 7.4**.

6.6 If, at any time during the Implementation Period, Client, in respect of any Client-funded items, wishes to require the Contractor to use a certain supplier or company to provide the equipment or services required to complete the Implementation Services, it shall notify the Contractor and the Contractor shall, acting reasonably,

consider using the supplier or company notified to it by Client. If the Contractor does not agree to use Client's identified supplier or company, Client may refer the matter for resolution pursuant to the Dispute Resolution Procedure.

6.7 All invoices submitted to Client should attach copies of any relevant supplier invoices and/or receipts, save that for items of a de minimus nature (being those less than £1,000) supplier invoices and/or receipts need not be attached, but will be supplied if requested by Client.

7. **Transition Management**

7.1 The Transition Team shall act as though it were a single unit, regardless of whether the employees are employed by the Contractor or Client, for the purposes of delivering this Transition Plan within the timescales provided herein. For the avoidance of doubt, Client's mere presence on the Transition Team shall not excuse or in any way limit the Contractor's obligations under the Agreement or this Work Contract, or any respective liability as a result of such obligations.

7.2 For the purposes of this Work Contract the Transition Team shall be the team set out in **Annex 8**.

8. **BCP**

8.1 The Contractor shall develop a BCP in accordance with the principles set out in **Schedule 8**, or amend any existing BCP used with one or more other Work Contracts, so as to incorporate the Services covered by this Work Contract.

8.2 The new or revised BCP complying with **Schedule 8** must be provided to Client prior to the Service Commencement Date of the first Service Element under this Work Contract. [**Note: Completion of the BCP should be a Key Milestone**]

ANNEX 2

SERVICES

1. **The Services**

- 1.1 The Contractor shall provide to Client the Services set out in this **Annex 2** for the duration of the Work Contract in accordance with the terms of the Agreement and this Work Contract.
- 1.2 The Services to be provided by the Contractor to Client under this Work Contract are set out in the table below. The responsibilities of each of the parties is marked by way of a cross in either the Client or the Contractor column, and the detail in the dependencies column indicates those factors that either Client or the Contractor are reliant upon in order to perform their obligations under this Work Contract.

<u>Sub-Process:</u>	<u>Service Element: Energy Acquisitions</u>			<u>Service Responsibility</u>		<u>Dependencies</u>
	<u>Work Thread:</u>	<u>Steps:</u>	<u>Client</u>	<u>Contractor</u>		

- 1.3 Each Service Element is, in the table above, broken down into its component parts, as follows:
- “**Sub Process**” means a part of a Service Element;
- “**Work Thread**” means an activity within a Sub Process;
- “**Step**” means a procedural steps within the Work Thread.
- 1.4 Where the Contractor is unable to complete any part of a Service Element because an identified Dependency required of Client (including any Sub Process, Work Thread or Step for which Client is stated to be responsible and which is directly linked to the performance of the relevant Service Element) has not been completed by Client, then the Contractor shall continue to use its reasonable endeavours to perform the relevant part of the Service Element, but, to the extent arising as a consequence of the dependency not being fulfilled by Client, the Contractor shall not be responsible for a failure to achieve a relevant KPI and shall not be in breach of contract.

1.5 In addition to the Services set out in the above table the Contractor is also responsible for implementing the levels of Staff quality checking set out in the following table:

<u>New Starters</u>	<u>Fully Trained</u> <u>Period or Trigger for Additional Quality Check Requirements</u>	<u>Below expected</u> <u>performance</u>	<u>Above expected</u> <u>performance</u>
<u>New Starters</u>	<u>Fully Trained</u> <u>Actions/Quality Check Requirements</u>	<u>Below expected</u> <u>performance</u>	<u>Above expected</u> <u>performance</u>

1.6 During the Consolidation Period, Client will provide the Contractor with the appropriate quality checking support so far as is practicable for it to do so. If it is not practicable for Client to provide the Contractor with the appropriate quality checking then the parties agree that they will work together to find a solution to this issue.

1.7 During business as usual both parties will carry out staffing analysis on the percentage/density of quality checking agents required to meet the requirements of paragraph 1.5. If quality checking requirement exceeds the agreed density of [—] ([—] for every [—] FTEs), the parties shall review quality checking requirements and refer all revision to the Change of Control Procedure.

1.8 The Contractor agrees that it shall carry out a comprehensive audit of all quality checking Services it undertakes to enable Client to verify the Contractor's compliance with this **paragraph 1**. Client shall notify the Contractor of the form that this audit shall take from time to time.

1.9 For the avoidance of doubt the Inspection Rights granted to client pursuant to **clause 18** of the Agreement shall extend to establishing and verifying compliance with this **paragraph 1**.

VOLUME DATA AND FORECASTING

Introduction

1. This **Annex 3** sets out Client and the Contractor's roles and obligations in relation to the provision of work volume Data and the forecasting of work volumes and workload for the Services.
2. The process and the parties respective obligations set out below shall commence from the Service Commencement Date. The volume forecast processes for the period prior to the Service Commencement Date will be agreed as part of the Transition Plan.
3. [This Work Contract shall be treated as a Grouped Work Contract for the purpose of work volume forecasting. The other Grouped Work Contracts are [—]. Where forecasts are based on Grouped Work Contracts, Client acknowledges that there may be limitations as the extent that FTEs are moved across Work Contracts caused by differing skill set requirements.
4. Two methods of forecasting are set out below: (i) FTE forecasting ("**Method 1 Forecasting**"); and (ii) work volume forecasting ("**Method 2 Forecasting**"). Method 1 Forecasting shall be used by the parties unless and until Client requests that the Contractor move to Method 2 Forecasting, at which point the parties shall use Method 2 Forecasting from the next Month. If at the time of Client's request the Contractor reasonably believes that the forecasting data is not in an appropriate state to move to Method 2 Forecasting, then the Contractor shall notify Client in writing of the Contractor's concerns with the forecasting data and Client shall consider, acting reasonably and without delay, withdrawing its request. Either party may refer this to the Dispute Resolution Procedure if the parties cannot agree whether or not to move to Method 2 Forecasting.
5. The Contractor shall invoice Client for the Firm Forecast (as defined subsequently in **paragraph 19**) in each Month, irrespective of any shortfall or excess in workload volumes.
6. The Contractor shall be obliged to provide that number of FTEs (in accordance with the requirements of the Agreement and this Work Contract) for the Services in the period the subject of a forecast issued pursuant to this **Annex 3**.

7. Where Client requires the Contractor to move FTEs in accordance with **paragraph 25**, then the net number of FTEs shall not be impacted and the Service Charges for that period shall not be affected.

Method 1 Forecasting

8. Client shall provide the Contractor with an estimate of the number of FTEs required for the anticipated volume of work, in a particular Month, for all Work Contracts entered into by the parties pursuant to the Agreement (whether or not a Grouped Work Contract).

The purpose of this forecast is to determine the total number of FTEs the Contractor is required to provide, and for which Client is required to pay, at a Work Contract or Grouped Work Contract Level. The forecast will, for planning purposes only, break the forecasted FTEs down to a Work Contract level where forecasting is at the Grouped Work Contract level. The Client may also break this forecast down to a Service Element level. This forecast will be supported by Client's transaction volume and productivity assumptions. Such volume and productivity assumptions will show how Client has derived the FTE requirements. This forecast shall be provided on the first Business Day of the Month that is three (3) months prior to the Month the subject of the forecast (the "**First FTE Forecast**").

Example: The First FTE Forecast for June is provided to the Contractor by Client on the first business day in March.

9. On the first Business Day of the Month that precedes the Month the subject of the First FTE Forecast, Client shall provide the Contractor an updated estimate of the number of FTEs, together with revised volume and productivity assumptions, broken down to a Service Element level or a Work Contract level, as appropriate. This forecast (the "**Second FTE Forecast**") is to determine the total number of FTEs the Contractor is required to provide, and for which Client is required to pay for each Service Element or Work Contract, as appropriate.

Example: The Second FTE Forecast for June is provided to the Contractor by Client on the first business day in May.

10. For the avoidance of doubt, save as set out in paragraph 21, the number of FTEs required for a particular Month shall not differ between the First FTE Forecast and the Second FTE Forecast. However, the required allocation of FTEs across Service Elements shall be as specified in the Second FTE Forecast.

Method 2 Forecasting

11. If the parties agree that Method 2 Forecasting shall commence, Client shall provide the Contractor with Data by Service Element to facilitate the derivation of accurate volume forecasts by the 15th day of each Month. This shall include any information that the Contractor reasonably requires to convert Data into workload forecasts, including productivity measures and trends.
12. The provision of Data to enable the forecasting of work volumes is the responsibility of Client.
13. The Contractor shall be responsible for determining the FTE requirements to meet the volumes of work forecast and seat capacity requirements.
14. The Contractor shall use the Data to provide a forecast, whether for a Work Contract or, where relevant, Grouped Work Contracts, to Client on the first Business Day of the Month that is three (3) months prior to Month which is the subject of the forecast (the “**First Work Forecast**”). The purpose of this forecast is to determine the total number of FTEs the Contractor is required to provide, and for which Client is required to pay, at a Work Contract or Grouped Work Contract Level.
Example: The First Work Forecast for June is provided to the Contractor by Client on the first Business Day in March.
15. The Contractor shall use the updated Data provided by Client to provide an updated FTE forecast at the Service Element or Work Contract level, as appropriate, to Client on the first Business Day of the Month that precedes that Month in which the Services are due to commence. The purpose of this forecast (the “**Second Work Forecast**”) is to determine the total number of FTEs the Contractor is required to provide, and for which Client is required to pay for each Service Element or Work Contract, as appropriate.
Example: The Second Work Forecast for June is provided to the Contractor by Client on the first business day in May.
16. The Contractor shall be required to obtain the prior written approval of Client for the number of FTEs to be set out in the First Work Forecast and the Second Work Forecast before Client is committed to those numbers of FTEs in the relevant Month.
17. On receiving either the First Work Forecast and/or the Second Work Forecast, Client shall respond to the Contractor within 5 (five) Business Days, stating whether it approves or rejects the number of FTEs forecast. In the event that Client rejects the

number of FTEs proposed by the Contractor, it shall propose an alternative number of FTEs that the Contractor shall use as a Firm Forecast. In the event that Client approves the number of FTEs forecast by the Contractor, the forecast shall become a Firm Forecast. Client's approval under this **paragraph 17** indicates its willingness to pay for the number of FTEs and shall not be taken as approval that the number of FTEs forecast by the Contractor is sufficient or adequate to carry out the Services. Any dispute by the parties as to required FTEs may be referred by either party to the Dispute Resolution Procedure.

18. For the avoidance of doubt the number of FTEs required for a particular Month shall not differ between the First Work Forecast and Second Work Forecast. However, the required allocation of FTEs across Service Elements shall be as specified in the Second Works Forecast.

General

19. Collectively the First FTE Forecast and First Work Forecast shall be known as "**First Forecast**" and the Second FTE Forecast and Second Work Forecast shall be known as "**Firm Forecast**".
20. The process of issuing First Forecasts and Firm Forecasts shall be on a rolling basis, so that for each Month during the term of a Work Contract, a First Forecast and Firm Forecast will be issued in accordance with this **Annex 3**.
21. During the nine (9) month period following the Service Commencement Date Client will only be permitted to vary the Firm Forecast FTE for each Work Contract by the following percentages between the FTE in the First Forecast and the FTE in the corresponding Firm Forecast for each Work Contract:
- 21.1 Consolidation Period \pm 10%;
- 21.2 Months 4 to 6 following the Service Commencement Date \pm 15%; and
- 21.3 Months 7 to 9 following the Service Commencement Date \pm 25%

Thereafter there will be no limitations on the variations of FTE at a Work Contract level between the First Forecast and the Firm Forecast. During both the nine (9) month period following the Service Commencement Date and subsequent to this the Contractor has the right to highlight to Client where it believes that it will be unable to meet such variations between the First Forecast and the Firm Forecast on the grounds that the change in forecast is unreasonable given the level of existing sufficiently trained resource and the time that would be required to train such

resource number so as to meet the Firm Forecast. The parties will meet to agree a solution. Any failure to agree a solution will be referred through the Dispute Resolution Procedure.

22. Client shall be committed to paying for the number of FTEs detailed in the Firm Forecast, in accordance with **Annex 6**. The Contractor shall be committed to providing the number of FTEs, with the requisite skill levels, detailed in the Firm Forecast.
23. When issuing a First Forecast or Firm Forecast Client shall include a statement advising the Contractor of the assumption regarding the number of hours worked (specified in the Service Charges Grid contained in **paragraph 2.2 of Annex 6**).
24. Where forecasts of work volumes are carried out in accordance with **paragraphs 8-10 or 11-18** above, the Contractor shall:
 - 24.1 provide the FTEs detailed in the Firm Forecast. The Contractor will be expected to cope with an increased actual workload of up to 10% of the forecast level where this is required to provide the Services in accordance with this Work Contract (the “**Agreed Tolerance**”); and
 - 24.2 meet the Service Levels and KPIs set out in **Annex 5**, where the actual volume of work is equal to or less than the Agreed Tolerance.
25. The Client may, in its full discretion, require the Contractor to move resources from one Service Element and/or Work Contract to help the Contractor to meet the Service Levels and KPIs in another Service Element or Work Contract. Where this occurs, the Contractor shall be relieved from meeting the Service Levels and KPIs in the Service Element or Work Contract from where the resources were moved.
26. For the avoidance of doubt, the Contractor shall not have the right to reject or refuse to provide the necessary FTEs to meet the volumes of work forecast by Client in accordance with this **Annex 3**, provided that it is acknowledged that Client pays for forecast FTEs.
27. Volume variations to the Firm Forecast shall be measured on a daily basis to determine whether the volumes remain within the Agreed Tolerance and in respect of any such volume variation, **paragraph 29-31** shall apply. When determining whether the Actual Volumes have exceeded the Agreed Tolerance on a daily basis regard shall be paid to the ability of the Contractor to manage and spread workload across following days and still deliver the Services within the Service Levels and KPIs.

28. Where the Actual Volumes in a Month are less than the Firm Forecast, the Contractor shall work with Client to mitigate the cost impacts on Client, recognising that this may involve redeploying staff to other Work Contracts or training surplus staff to work on new Service Elements and/or Work Contracts.

Volume Spikes

29. A work volume, which is above the Agreed Tolerance, is a “**Volume Spike**”.

30. Where Client becomes aware that a Volume Spike will occur, it shall inform the Contractor and both parties shall agree an appropriate course of action to mitigate the impact of the Volume Spike.

31. Client may request in writing that the Contractor seeks to deploy additional FTEs in excess of the volumes forecast by Client where the Actual Volume is likely to exceed 110% of the volumes forecast. In such circumstances, the Contractor shall use reasonable endeavours to accommodate such requests. The Service Charges shall then be adjusted in accordance with **Annex 6** to reflect the additional FTEs deployed in providing the Services.

Forecast Adjustments

32. If the average Actual Volume measured over a period of a Month is 5% in excess of the Firm Forecast, Client and the Contractor shall, unless Client can reasonably demonstrate to the contrary, agree that the Actual Volumes represent the appropriate steady state run rate and accordingly:

32.1.1 the Firm Forecast for the following Month shall be adjusted by the FTEs requirements to deal with the Actual Volume; and

32.1.2 Client and the Contractor shall incorporate in future data and forecasts (as appropriate) the FTEs requirements to deal with the Actual Volume.

Verification of the volume forecast

33. The Contractor shall use its Scheduling Software to facilitate optimisation of resource deployment.

34. The Contractor shall report the comparison of forecast to Actual Volumes each Month to Client and the parties shall work to provide an explanation for any variance.
35. In the event that the Contractor reasonably believes that the volumes of work being forecast by Client are incorrect, it shall promptly notify Client. Any dispute shall be resolved pursuant to the Dispute Resolution Procedure.

De-commissioning

36. The parties recognise that Actual Volumes fluctuate from month to month.
37. Where Client requires a permanent ramp down of FTEs from the Work Contract [*or Grouped Work Contracts*], it shall have the right to require the Contractor to remove the relevant number of resources from the Services by providing the Contractor with the notice set out below:
- 37.1 where Client requires the Contractor to ramp-down by 1 – 50 FTEs or 20% of total FTEs engaged in providing the Services (whichever is the greater), it shall provide the Contractor with 30 calendar days' prior written notice;
- 37.2 where Client requires the Contractor to ramp down by 51 – 250 FTEs or 40% of FTEs engaged in providing Services (whichever is the greater), it shall provide the Contractor with 90 calendar days' notice
- 37.3 where Client requires the Contractor to ramp down more than the values given in **paragraphs 37.1** and **37.2** above (other than where it wishes to terminate the Work Contract under which the Services are provided), it shall provide the Contractor with 180 calendar day's notice.
38. For the avoidance of doubt and notwithstanding **paragraphs 10** and **18**, where Client serves notice of a permanent ramp down of 1-50 FTEs or 20% of the FTEs engaged in providing Services across the Grouped Work Contracts after having provided the First Forecast or the Firm Forecast, Client shall not be required to pay the charges for the reduced numbers providing 30 calendar days' notice prior to the date of Service provision has been given.

REPORTING – QUALITY, PERFORMANCE AND OPERATIONAL

1. **Introduction**

1.1 The purpose of this **Annex 4** is to make clear the Contractor's obligations in reporting to Client the level of service being delivered in relation to the KPIs and Service Levels set out in **Annex 5**.

1.2 This Annex 4 does not cover the detailed design of the reports, which shall be agreed by the parties in accordance with the Transition Plan.

2. **Types of reports and Service Level Agreements**

2.1 The Contractor shall provide Client with the reports set out in the table below.

<u>Report Type</u>	<u>Reporting Period</u>	<u>Reporting frequency</u>	<u>Timing</u>
Operational			
HR			
IS			
Financial			

2.2 The Contractor shall deliver the reports in line with the monitoring of the business KPIs and Service Levels. The reports must be delivered within the timeframes specified in the table above.

2.3 In addition, the Contractor shall provide the reports set out in **clause 18.8, Schedules [—]** and **Annexes [—]**. [*NOTE: Still need to identify*]

Ad hoc Reports

- 2.4 The Client has the right to request ad hoc reports from the Contractor to monitor and analyse its business performance. Where such request requires material additional resource from the Contractor to meet its requirements Client shall be responsible for the Contractor’s pre-agreed costs in meeting such request.
- 2.5 Client shall provide the Contractor with reasonable notice and shall detail the information required and period over which the report is required.
- 2.6 The Contractor shall evaluate the effort required to produce the report and commit to delivering the report within a reasonable timeframe. The impact on resource requirements, if any, to meet the reporting needs shall be communicated to Client by the Contractor.
- 2.7 For non-repeating reports, the Contractor shall identify to Client the cost, if any, of preparing such report. Where such report can be produced using resources already dedicated to provision of the Services, the Contractor shall make no charge. If there is a cost associated with such report, the Contractor shall not proceed with the report until Client approves in writing the additional cost.
- 2.8 For new reports to be provided on a regular basis, either party may require that the new report be incorporated into the Work Contract by way of the Change Control Procedure.

3. **Documentation**

Clauses 18 and 24 of the Agreement require the Contractor to retain certain documentation. The following documents must be retained:

<u>Business Area</u>	<u>Documentation</u>	<u>Retention period</u>
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4. **Contract Management Reports**

The Contractor will provide the Monthly contract management reports, at no cost to Client, in the format reasonably specified by Client (being a format substantially similar to the “management dashboard” set out in the Agreed Documents).

5. **Process Maps**

The Contractor will provide sufficient supporting information to enable the Client to update and maintain the [*Nimbus/SPECIFY APPROPRIATE MAPPING SOFTWARE*] maps for the purpose of version control and refreshing the Essential website. For the avoidance of doubt any proposed change by the Contractor to the processes must be accompanied by a revised [*Nimbus/SPECIFY APPROPRIATE MAPPING SOFTWARE*] process map.

SERVICE LEVEL AGREEMENTS AND KEY PERFORMANCE INDICATORS

1. **Introduction**

1.1 The purpose of this **Annex 5** is to make clear the Contractor's obligation to achieve certain minimum levels of performance.

1.2 For the purposes of this Work Contract, the following expressions shall mean:

"**Reporting Method**" means the manner by which the Service Level will be measured/monitored;

["**Performance Level**" is the performance level to be achieved by the Contractor to meet the Service Level;]

"**Relief Performance Level**" is the performance level to be achieved by the Contractor in instances where the Actual Volume exceeds the Agreed Tolerance.

1.3 The Service Levels and KPIs set out in this **Annex 5** shall, following signature of this Work Contract, be reviewed by Client and the Contractor on a regular (no less than every six months) basis to enable Client to determine whether the Service Levels or KPIs continue to reflect Client's business requirements. In the absence of any proposal by either party to change the Service Levels or KPIs pursuant to the Change Control Procedure then, save as set out in **paragraph 2.9**, no change shall be made to the Service Levels or KPIs.

2. **KPIs**

2.1 KPIs are levels of performance agreed by the parties to be critical to the Services and which ensure that the Contractor delivers the Services in accordance with Client's requirements.

2.2 Regulatory driven KPIs (identified as such by the process detailed in **Schedule 2** and highlighted by * in this **Annex 5**) shall not have Service Credits associated with them. Failure to meet such KPIs shall trigger a right for Client to terminate the Agreement and any Work Contracts.

2.3 Except in relation to those Regulatory driven KPIs referred to in **paragraph 2.2** above, a failure by the Contractor to achieve any one KPI will result in a Service Credit being charged by Client to the Contractor in accordance with the provisions of this **Annex 5**. A single material failure of a KPI may result in a Material Breach, as detailed below, in which case Service Credits shall not apply in respect of such KPI.

- 2.4 The KPIs and Service Levels against which the Contractor’s performance will be measured may be dependent on Client’s system service levels set out in **Schedule 3** (the “**Client Dependencies**”).
- 2.5 Client recognises that, from time to time, Client Dependencies may not be achieved and, in such circumstances, any downtime of Client’s systems will be taken from the relevant measurement period, and reflected in any targets as necessary, and the Contractor’s performance shall only be measured against such reduced period.
- 2.6 The KPIs and Service Levels set out in this **Annex 5** are dependent on Client forecasted volumes being within the Agreed Tolerance, as set out in **Annex 3**. If the Actual Volumes exceed the Agreed Tolerance (on a daily basis), then any periods of excess volume shall be taken from the relevant measurement period, and reflected in any targets as necessary, and the Contractor’s performance shall only be measured against such reduced period.
- 2.7 Where the Actual Volumes for a Service Element exceed the Agreed Tolerances in any one period, the Contractor shall not have any obligation to meet the Service Levels and instead shall meet the relief target and performance levels set out in **paragraph 4.12** below.
- 2.8 The Contractor shall measure KPIs and Service Levels from the Service Commencement Date and shall provide Client with reports setting out KPI and Service Level performance at the times set out in **Annex 4**.
- 2.9 Following the end of the Consolidation Period, Client or the Contractor may request an adjustment to the KPIs and Service Levels if:
- 2.9.1 it becomes clear to Client or the Contractor that the KPIs and/or Service Levels are either un-representative of realistically achievable performance and target levels or have been set too low; or
- 2.9.2 Client’s equivalent operations in the United Kingdom, being provided in substantially similar circumstances, are more productive, or provide the Services to a demonstrably higher standard than is set out in this **Annex 5**, and
- any such request shall be managed using the Change Control Procedure, save that the Contractor shall not unreasonably withhold consent, or adjust its Charges, if, viewed objectively, the KPIs do not incentivise an appropriate level of performance. Any dispute may be referred by either party to the Dispute Resolution Procedure.

2.10 Save where specified in the table in **paragraph 4.1** and in **paragraph 4.12** below, Service Credits shall not apply during the Consolidation Period. The Contractor shall, however, use all reasonable endeavours to achieve the Service Levels and KPIs during the Consolidation Period.

3. **Service Levels**

3.1 Service Levels usually underpin KPIs, but do not have Service Credits associated with them. They are nonetheless important to Client and shall be monitored closely by both parties.

3.2 One or more failures to meet a Service Levels may or may not constitute a material breach for the purposes of **clause 32.1.1** and in all circumstances shall be deemed capable of remedy.

3.3 The Contractor shall meet the Service Levels set out in the table below:

<u>Process Area</u>	<u>Sub-process (where appropriate)</u>	<u>KPI</u>	<u>Reporting Method</u>	<u>Level 1 Impact Level</u>	<u>Level 2 Impact Level</u>	<u>Termination Level</u>	<u>Comments</u>	<u>Client Dependencies</u>
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3.4 [The Contractor shall meet the Service Levels which includes the Regulatory KPI set out in the tables below:]

<u>Process Area</u>	<u>Sub-process (where appropriate)</u>	<u>KPI</u>	<u>Reporting Method</u>	<u>Level 1 Impact Level</u>	<u>Level 2 Impact Level</u>	<u>Termination Level</u>	<u>Client Dependencies</u>
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4. **KPIs and Service Credits**

4.1 The following table details the KPIs applicable to this Work Contract.

<u>Process Area</u>	<u>Sub-process (where appropriate)</u>	<u>KPI</u>	<u>Reporting Method</u>	<u>Service Credit Weighting within Service Element</u>	<u>Level 1 Impact Level</u>	<u>Level 2 Impact Level</u>	<u>Termination Level</u>	<u>Client Dependencies</u>
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* Regulatory KPI

** KPIs which apply during the Consolidation Period

4.2 In the event that the Contractor fails to meet any KPI level set out in column 4 above during a given Month (the “**Level 1 Impact Level**”), it shall award to Client a Service Credit at the level shown in the Level 1 Impact Level column.

4.3 In the event that the Contractor fails to meet any KPI level set out in column 6 above during a given Month (the “**Level 2 Impact Level**”), it shall award to Client a Service Credit at the level shown in the Level 2 Impact Level column.

4.4 In the event that the Contractor fails to meet any KPI level set out in column 7 above during a given Month (the “**Termination Level**”), it shall be determined to be in material breach of the Agreement and Client shall have the right to terminate the Agreement in accordance with **clause 32** of the Agreement.

- 4.5 **Paragraphs 4.2 to 4.4** are all subject to Client fulfilling dependencies identified against the relevant KPI. To the extent Client does not fulfil a dependency, the Contractor shall be relieved performance against the relevant KPI.
- 4.6 In the event that Service Credits are payable against any one KPI for three consecutive months or four months in any twelve-month period, the Contractor shall be determined to be in material breach and Client shall have the right to terminate the Agreement in accordance with **clause 32** of the Agreement.
- 4.7 For the avoidance of doubt, Client shall not have the right to receive Service Credits where it has terminated the Agreement in accordance with **paragraph 4.6** above.
- 4.8 All Service Credits shall be calculated on a Monthly basis. For weekly reported KPIs, performance shall be consolidated into a Monthly average for the purpose of the application of Service Credits. For the avoidance of doubt, a failure to achieve KPIs in a week shall not give rise to Service Credits or termination if the Monthly Average meets the KPIs.
- 4.9 To determine the current Monthly monetary value associated with the Contractor's failure to meet a KPI (the "**Individual Service Credit Charge**"), 15% of the current Month's Service Charges will be multiplied according to the Service Credit weightings for each KPI set out in the table above, provided that the maximum amount of Service Credits payable by the Contractor to Client in any one Month shall not exceed 10% of the current Month's Service Charges.
- 4.10 All Service Credits that become payable by the Contractor to Client under this **Annex 5** shall be paid to Client in accordance with the provisions of **Schedule 2**.
- 4.11 During the Consolidation Period (and thereafter if identified as a KPI in the above table), the Contractor shall pay to Client a Service Credit should it fail to provide sufficient FTE to meet the Agreed Tolerance level of FTE. The Service Credit shall be based upon the following principles:
- 4.11.1 the maximum Service Credit shall be [7.5 to 10%] of the Monthly Service Charges; and
 - 4.11.2 the level of any Service Credit due will be calculated as follows:
number of days in the Month where insufficient FTEs provided to meet the Firm Forecast (and Agreed Tolerance Levels, if appropriate) **divided by** the number of days in the Month Services were required under the Agreement **multiplied by** 5% of the Charges made during that Month.

5. **Service Levels**

5.1 The Contractor shall meet the Service Levels set out in the table below:

<u>Service Level Description</u>	<u>Performance Level</u>	<u>Relief Performance level</u>	<u>Reporting Method</u>	<u>Client Dependencies</u>
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ANNEX 6

THE CHARGES

1. Introduction

- 1.1 Client will pay the Charges set out in this **Annex 6** together with any other amounts due in accordance with the Work Contract and the Agreement:
 - 1.1.1 for Service Charges, Monthly to the Contractor’s account (notified to Client in writing from time to time) in accordance with the invoicing procedures set out in **clause 21**; and
 - 1.1.2 for Implementation Charges, [*at the Payment Milestone Dates*].

2. Service Charges

- 2.1 The Service Charges for this Work Contract have been calculated using the Pricing Menu and the Bandwidth Costs Grid set out in **Schedule 7**, and the methodology and Work Contract Requirements set out in **clause 10** of **Schedule 2**. [*Note: If not Anticipated Services, and a different pricing methodology applied, revise this clause to reflect the methodology used.*]
- 2.2 The Service Charges for the purposes of this Work Contract are shown in the table below (at a price per productive hour) (£ Pounds Sterling):

The Service Charges Grid

	Volume and Band of FTE				
	200-400	401-600	601-800	801-1000	1000+
Number of Hours Worked					
16 - 19.2 hours on weekdays, no weekend					
19.2 hours on weekdays, 9.6 hours on weekend					
19.2 hours on weekdays, 19.2 hours on weekend					
19.2 hours on 7 days a week					

The Service Charges are based on the requirements set out in the following Work Contract Requirement Table:

WORK CONTRACT REQUIREMENTS

Total Number of FTE's (across all work contracts)

Bandwidth requirement per seat (kbps)

Profiles Mix (as %)

Voice
Data Entry
Standard BPO
Complex BPO
Blended

Duration of Process Training (weeks)

Voice
Data Entry
Standard BPO
Complex BPO
Blended

Management Support Ratios

Team Lead (ratio to Front Line Agents)
Floor Walker (ratio to Front Line Agents)
QA (ratio to Front Line Agents)
Business Improvement/6 sigma/Black Belts (ratio to Front Line Agents)
Operations Manager (ratio to Front Line Agents)
AVP (ratio to Front Line Agents)
VP (ratio to Front Line Agents)
Trainer (ratio to Front Line Agents)

Number of hours worked

Every weekday
Every weekend

2.3 As set out in **Schedule 3**, Client shall have the option of changing the Bandwidth requirement under the Agreement within the tolerances specified in **paragraph 3.5** of Part A of **Schedule 7**.

2.4 If Client operates services substantially similar to the Services in the United Kingdom and can demonstrate reasonably to the Contractor that its operations are

more productive than the Contractor's operations, Client may require the Contractor, at no cost to Client, to dedicate such additional resources (including any additional FTEs required) to match Client's United Kingdom performance (and thereafter during the term of the Work Contract to retain such level of productivity).

2.5 In the event that the parties use the process set out in **Part A of Schedule 7** to calculate the Service Charges, the Contractor shall provide Client with an invoice for each Work Contract performed in a Month within 5 Business Days following the end of that Month.

2.6 Any invoice provided to Client pursuant to **paragraph 2.5** above shall use and show the following calculation for each Work Contract:

$$\begin{aligned} & \textbf{Forecasted FTE for the Month} \\ & \quad \times \\ & \textbf{Number of productive hours per FTE for the Month} \\ & \quad \times \\ & \textbf{Prices per productive hour} \\ & \quad = \\ & \textbf{Total Invoice for Service Charges for relevant Work Contract} \end{aligned}$$

Where:

2.6.1 "*Forecast FTE for the Month*" shall be the FTE numbers contained in the Firm Forecast (as defined in **Annex 3**) for the Work Contract for the relevant Month;

2.6.2 "*Number of Productive Hours per FTE for the Month*" shall mean the total number of hours a FTE works on the Services, including tasks such as contract related training and team meetings relevant to Client and detailed in the Agreement or this Work Contract. It excludes all forms of absence, breaks, performance management activities and non-contract related training. The Contractor has committed to the following number of productive hours per FTE per year depending on the availability of Client systems:

in a scenario of system availability of 16 hours/day: 1950 productive hours per FTE per year; and

in a scenario of system availability of 17 hours/day: 2028 productive hours per FTE per year; and

in a scenario of system availability of 18 hours/day: 2080 productive hours per FTE per year; and

in a scenario of system availability of 19.2 hours/day: 2184 productive hours per FTE per year.

2.6.3 “Price per productive hours” shall be the price in Pounds Sterling per FTE productive hour as adjusted for the agreed levels of seat utilisation, as set out above. For the avoidance of doubt, to calculate the relevant level of seat utilisation, the average number of FTEs required to occupy a dedicated Client productive seat and service Client volume forecast is calculated on a 7 day basis, using the following formula:

$(\text{Number of FTE Productive hours in a week} / \text{Total number of hours in a week}) \times 3$

- 2.7 Where the Actual Volume causes the number of FTEs required to perform the Services to rise above the Agreed Tolerances Client shall only pay for additional FTE where it has agreed to pay for such additional FTE in accordance with the process set out in **Annex 3**.
- 2.8 Irrespective of the number of FTEs providing Services under the Agreement on the Service Commencement Date, the Charges payable at the Service Commencement Date will relate to a volume band of [*SPECIFY FORECAST LEVEL OF FTEs AT SERVICE COMMENCEMENT DATE*] FTEs (i.e £ [·] based on 16-19.2 hours Business Day working). If [·] months from the Service Commencement Date there are fewer than [*SAME FIGURE AS ABOVE*] FTE providing the Services under the Agreement the parties shall apply the Charges pursuant to **paragraph 3.4 of Part A of Schedule 7** of the Agreement with retrospective effect.
- 2.9 In the event that Client opts for Transaction Based Pricing as defined in and pursuant to its right under **Part C of Schedule 7**, the Contractor shall invoice Client for the Services performed in a Month within 5 Business Days of the end of that Month.
- 2.10 In the event that the parties opt for Transaction Based Pricing, they shall agree (acting reasonably) the method and structure of the invoices before any such invoices are provided to Client.

2.11 The Service Charges are based on the average following spans of control applying:

<u>Span of Control - for Operations</u>	<u>Initial 6 months</u>	<u>Steady State</u>	<u>Weighted Average</u>
QC/Compliance	for every		FTEs
Trainer	for every		FTEs
Floor Walker	for every		FTEs
Assistant Manager	for every		FTEs
Manager	for every		Assistant Manager
Assistant Vice President	for every		Managers
Vice President	for every		Assistant Vice President

Implementation Charges

2.12 The Implementation Charges for this Work Contract shall be calculated in accordance with **Schedule 7** using the table set out below:

Implementation Charges Table

IMPLEMENTATION CHARGES FOR WORK CONTRACT [#]

<u>Cost Component</u>			<u>Numbers required</u>	<u>Cost</u>
One time British Gas Specific Technology Capex				
<u>Item</u>	<u>Unit Price</u>			
Sub-Total				£ —
Migration and Transition costs				
		<u>Duration</u>		
		<u>Duration of stay in UK (In weeks)</u>	<u>Duration of stay in India (In weeks)</u>	
	<u>Rate (£) / week</u>			<u>Numbers required</u>
				<u>Cost</u>
Consulting Fee				
Program Level Resources				
Program Manager	£	500		
Training Manager (industry, B Gas Culture)	£	500		
Training Manager (Process & Systems)	£	500		
Technology Manager	£	500		
Migration Manager	£	500		
Trainers	£	179		
Travel Cost (Per round trip)		On actuals		
Management Travel		On actuals		
Lodgings		On actuals		
Any Other (details)				
Per Diem	£	35		
Sub-Total				
Recruitment and Training costs				
	<u>Charge/week</u>	<u>Duration of Process Training (weeks)</u>		£ —
Service Charges during Process Training				
				£ —
Total Implementation Charges				
				£ —

Local travel within UK will be charged on actuals

2.13 The Implementation Charges shall be invoiced in accordance with the procedure in **Annex 1** to this Work Contract.

NETWORK SOLUTION

- 1. **Additional IS Requirements**
 - 1.1 **Schedule 3** of the Agreement specifies the IS requirements to be provided by the Contractor for the purpose of the Services.
 - 1.2 Client requires and the Contractor agrees to provide the following additional IS solutions for the purposes of this Work Contract:
 - 1.2.1 [·];
 - 1.2.2 [·].

- 2. **[IS Service Levels**
 - 2.1 **The IS Service Levels for the purposes of this Work Contract shall be:**

- 2.1.1 [] **; and**
- 2.1.2 [].

WORK CONTRACT LEVEL GOVERNANCE

1. **Introduction**

1.1 **Schedule 6** of the Agreement specifies the general organisational structure to be adopted for the purpose of the Agreement and the Work Contracts.

1.2 *[This Work Contract is a Grouped Work Contract, for the purposes of governance, and the following parts of this **Annex 8** shall be common across all the Grouped Work Contracts.*

1.2.1 ***paragraphs 2.1, 2.3 [TO SPECIFY]***

2. **Transition**

2.1 The Contractor's Transition Team shall be the individuals and the positions specified in the following organisation chart:

2.2 **Transition Steering Group**

2.2.1 For the purposes of transition governance the Transition Steering Group shall meet on a monthly basis (unless otherwise agreed by the parties) for the duration of the period defined in the Transition Project Plan.

2.2.2 The key role of the group is to review progress against the Transition Project Plan during the previous month and progress towards completion of the Key Milestones.

2.2.3 Further details of the Transition Steering Group are set out in the table that follows:

Frequency

Purpose

Attendees

Agenda

Supporting Activities

Location

2.2.4 In accordance with **Schedule 6**, on completion of the Transition Project Plan (or earlier if agreed by the parties) the Quarterly Business Review Meeting will replace the Transition Steering Group.

2.3 **Transition Team**

2.3.1 For the purposes of transition governance the Transition Team shall meet on a weekly basis (unless otherwise agreed by the parties) for the duration of the period defined by the Transition Project Plan.

2.3.2 The key role of the team is to review progress against the Transition Project Plan during the previous month and progress towards completion of the Deliverables.

2.3.3 Further details of the Transition Team meetings are set out in the table that follows:

Frequency

Purpose

Attendees

Agenda

Location

2.3.4 On completion of the Transition Project Plan (or earlier if agreed by the parties) the Service Management Meeting will replace the Transition Team Meeting.

3. **Business as Usual Operations**

3.1 The Contractor's organisation chart is:

[TO ADD]

3.2 The table of key relationship [DETAILS].

3.3 All of the Contractor's Staff set out in the table above are classified as Key Staff. In addition, Staff in the roles specified below shall also be Key Staff:

Key Staff

[List roles]

[INSERT CHART HERE]

3.4 [The following is a list of the additional Agreed Documents relevant to this Work Contract [LIST]]

ESCALATION LEVELS FOR DISPUTE RESOLUTION

1. Escalation Levels

1.1 For the purposes of this Work Contract, the escalation levels pursuant to **clause 31** of the Agreement shall be:

	Client	The Contractor
Stage 1		
Stage 2		
Stage 3		

KNOWLEDGE TRANSFER

1. **Introduction**

1.1 This **Annex 10** sets out the obligations of the parties in respect to the design, development and delivery of training both during the Implementation Period and during the remainder of the term of the Work Contract.

1.2 The aim of the obligations set out in this **Annex 10** is to develop the Staff into competent performers. Staff who are competent performers shall:

- 1.2.1 clearly demonstrate and deliver Client's brand values as set out in **Schedule 5** of this Work Contract, through their behaviour with Client's internal and external customers;
- 1.2.2 demonstrate a clear knowledge of all the relevant Service Elements specific to their areas of operation and provide a high standard of work throughput and productivity;
- 1.2.3 have the full range of skills and competencies required to complete their work in a confident and motivated manner; and
- 1.2.4 have the skills and understanding needed effectively to use the systems required to support Client's processes.

1.3 Notwithstanding Client's desire for the Contractor to develop Staff, this shall not detract from the Contractor's overarching obligations to fulfil Service Levels as set out in **Annex 5** of this Work Contract.

2. **Definitions**

2.1 For the purposes of this **Annex 10**, the following terms shall have the meanings attributed to them below:

"**Pass Criteria**" means the level of competency that Staff must reach to pass each training module, as are determined pursuant to the Transition Plan;

"**Training Material**" includes presentations (including PowerPoint), handouts, such brochures and corporate support material as is provided by Client, training manuals (system and process), trainer notes and guides, tasks and tests for applied learning, scenarios and role play modules, brand posters and leaflets supplied by Client.

3. **The Agreed Documents**

3.1 The Contractor shall adhere to the training and knowledge transfer policies, guidance and procedures provided to it by Client in the Agreed Documents. If the Contractor reasonably believes that such policies of Client impose obligations in excess of those contained in this **Annex 10**, then it shall notify Client and the parties shall agree a mutually satisfactory solution to the conflict (and in the absence of agreement, either party may refer the matter to be resolved pursuant to the Dispute Resolution Procedure.

4. **Training Principles**

4.1 All training delivered by the Contractor shall be in accordance with standards and approaches set by Client.

4.2 All training courses provided by the Contractor shall be approved by Client in writing prior to their use to train the Staff.

4.3 The Intellectual Property Rights in all training course material and content provided by Client, or developed specifically for Client by the Contractor, shall remain the property of Client. The Contractor shall have no right to use, amend or adapt Client's training course material or content without the prior written consent of Client.

4.4 Where training course content needs to be updated to reflect changes in Client's business/operation, Client shall advise the Contractor. Client and the Contractor shall mutually agree upon any appropriate changes to the training material. Where a change will require Staff currently working on the relevant Service Element to be retrained, the Contractor shall as soon as practical (and in any case within any timescale reasonably required by Client) provide such Staff with appropriate supplementary training.

4.5 All dedicated Staff shall undertake and successfully complete the training modules detailed in this **Annex 10** that are appropriate to the Service Elements upon which they are to work.

4.6 Staff must meet the Pass Criteria for all requisite training courses / stages before go-live.

4.7 Staff shall not be permitted to commence working on the Services until they have successfully completed the relevant training modules detailed in this **Annex 10**.

- 4.8 The Contractor shall obtain feedback from Staff on all training modules delivered. This feedback shall be gathered at the end of the delivery of a training module/course to assess delivery (style and pace), substance and communicative abilities of the course trainers. Where the trainer is not meeting the required level of performance for a trainer (as notified by Client, acting reasonably, from time to time), Client shall have the right to require the Contractor to remove the trainer from carrying out any future training for the purpose of the Agreement and the Work Contract.
- 4.9 All classroom training undertaken must be completed under the supervision of trained trainers and, where applicable, support staff.
- 4.10 Additional courses, training modules and any changes to existing courses or training modules shall be implemented keeping the Client notified and updating relevant exit plans.

5. **Training Records**

- 5.1 The Contractor shall keep accurate training records on all Staff and on request shall provide this information to Client. The records shall contain as a minimum:
 - 5.1.1 relevant Staff details;
 - 5.1.2 attendance dates for all training modules;
 - 5.1.3 results of the training modules;
 - 5.1.4 quality monitoring records; and
 - 5.1.5 additional information on the participant relevant to their training record and performance of the Services.
- 5.2 The Contractor shall keep the training records up to date and available until the date six months following the date an individual ceases to work on Client's account.

6. **Training Modules**

The categories of training modules for this Work Contract shall be:

- 6.1 [·];
- 6.2 [·].

Training Module

Overall Purpose

Training Courses included within the module

Training Modules that need "Passed" prior to undertaking this module

Responsibility for Course Content

Responsibility for Training delivery

Responsibility for train the trainer

Pass Criteria applicable

7. **Training Material**

Client shall provide master copies of all training materials and trainer notes to the Contractor. It shall be the responsibility of the Contractor to provide a suitable number of copies of the master copy to deliver the training.

8. **Training Content Development**

8.1 Once a course has been completed, Staff shall be tested on the content of the course and shall be expected to achieve the Pass Criteria for the said course. Staff shall be allowed to re-sit tests. However, if they fail to meet the Pass Criteria on two occasions, they shall be considered not suitable for the role and shall not be permitted to perform or undertake further work or training in relation to such role for Client.

8.2 The Pass Criteria for each individual course shall be agreed with Client as part of the design of the courses.

8.3 The principles for deriving the Pass Criteria shall include one or all of the following:

- 8.3.1 a clear understanding of the training material subject matter;
- 8.3.2 completion of training tasks and tests with the agreed acceptance rate;
- 8.3.3 a demonstration of system knowledge and competency to defined approval levels; and
- 8.3.4 knowledge of the processes and procedures and taking appropriate action;

and shall be equivalent to the criteria used by Client.

8.4 As well as ensuring that Staff achieve the Pass Criteria for all Training Modules, it shall be the responsibility of Contractor to satisfy themselves that the Staff can demonstrate all of the following prior to being able to commence the provision of Services:

8.4.1 a full understanding of Client's brand, brand values and cultural behaviour;

8.4.2 a full understanding of Client's policies, procedures and compliance regulations;

8.4.3 a full understanding of Client's industry and systems; and

8.4.4 a demonstrated ability to apply all learning to a live situation.

Details of Client's brand, brand values, cultural behaviour, policies, procedures and compliance regulations shall be included in the Agreed Documents or through the Training Plan.

9. **Train the Trainer**

9.1 Client shall provide support in the initial set up of training programmes including UK based "Training the Trainer", pre-deployment training support and deployment subject matter expert ("SME") support.

9.2 It is the responsibility of the Contractor to ensure that it provides Client with a sufficient number of its trainers to enable it to deliver the training plan during the Implementation Period and to provide thereafter for the subsequent training of new recruits.

9.3 During the Implementation Period, delivery of "Train the Trainer" training shall be the responsibility of Client, which shall train the trainers in the UK at sites to be specified. It is the responsibility of Client to ensure they have trainers available to deliver this training to the agreed number of Contractor trainers.

9.4 The Contractor shall ensure that the trainers they supply to the UK for training are qualified trainers and have the relevant base skills training in back office processing. These trainers should have completed and achieved the Pass Criteria for the Pre-Process Training module.

9.5 The Contractor's trainers shall be required to achieve Pass Criteria for the training modules upon which they receive training from Client.

- 9.6 The Client reserves the right for a trainer to be removed from the Work Contract in the following circumstances:
- 9.6.1 a poor attitude towards training;
 - 9.6.2 where the individual is not a qualified trainer;
 - 9.6.3 where the trainer is unable to achieve the Pass Criteria; or
 - 9.6.4 where the trainer’s delivery of learning to participants is not to the required standard.
- 9.7 Should Client request that the Contractor removes a trainer for any of the reasons provided above, the Contractor shall be required to replace them at its own expense. Trainers that have not achieved all of the Pass Criteria shall not be allowed to train staff in India. If the Contractor disagrees with Client’s assessment of a trainer, it may raise the issue with Client and, if it is not satisfied with Client’s explanation, it may refer the matter to the Dispute Resolution Procedure.
- 9.8 After the Implementation Period and the “train the trainer” training, it shall be the responsibility of the Contractor to train its own trainers. The Client reserves the right periodically to check training delivery and feedback findings.
- 9.9 The Contractor shall regularly assess its trainers to ensure that their performance is satisfactory and complies with Client’s requirements.

10. **Training Delivery**

- 10.1 It is the responsibility of the Contractor to deliver training to its Staff in India and to ensure that criteria set out below are adhered to:
- 10.1.1 there shall be no deviation from the core content of the agreed training material unless agreed specifically with Client;
 - 10.1.2 Staff shall be tested in line with the agreed Pass Criteria specified; and
 - 10.1.3 training shall be carried out in suitable classroom/training environments in line with the minimum standards required by this **Annex 10**.
- 10.2 It is the responsibility of the Contractor to remove any Staff from the programme that do not meet the Pass Criteria and supply appropriately qualified and experienced replacements with additional staff.

11. **Client support during the Implementation Period**
- 11.1 It is the responsibility of Client to provide an appropriate level of trained trainers and Subject Matter Experts (SME's) at the relevant premises during the Implementation Period to ensure that:
- 11.1.1 the Contractor's trainers are delivering training courses in accordance with the required standards;
 - 11.1.2 it is able to provide backup, support and aid to the Contractor's trainers; and
 - 11.1.3 it is able to liaise with the Contractor to make amendments to any training content as required.
12. **Go-Live Support**
- 12.1 During the first [-] weeks following the Service Commencement Date, the Contractor shall ensure that there is adequate support for Staff. As a minimum the support staff to Staff ratio shall be 1:12. Support staff shall include "floor walkers" as well as team leaders. Floor walkers shall support the Staff and shall comprise the Contractor's employees, supplemented as Client considers reasonably appropriate by Client employees.
13. **Training environments and Planning**
- 13.1 The physical environment for training and planning of training is the responsibility of the Contractor. The Contractor must have available training facilities in accordance with the requirements of this **Annex 10** for all training which is the subject of the Transition Plan and for regular ongoing training to deal with replacement Staff.
- 13.2 The classroom ratios for trainer/Staff shall be from 1:20; provided that for complex back office processes Client may request the ratio to be adjusted to 1:10 and there shall be no extra cost to Client for such adjustment. The Contractor has the authority to approve increases in batch sizes to meet business requirements. The Contractor shall be responsible for ensuring that training effectiveness is maintained in the event of an increase in batch size.
- 13.3 The Contractor shall be responsible for planning for the following areas:
- 13.3.1 providing the correct number of trainers to the UK (in accordance with the Transition Plan);

- 13.3.2 planning all training to meet the Transition Plan;
- 13.3.3 business as usual training due to attrition or increased business needs as specified;
- 13.3.4 refresher training based on staff performance;
- 13.3.5 providing a full project plan for delivery of training; and
- 13.3.6 training rooms that reflect Client's culture and brand, to include:
 - 13.3.6.1 Client's posters and information; and
 - 13.3.6.2 Client's brand advertisements.

Client shall provide to the Contractor appropriate materials pursuant to this **paragraph 13.3.6**.

13.4 It shall be the responsibility of Client to design the plan for "Train the Trainers" in the UK.

13.5 The Contractor shall provide Client in advance with a copy of the full training plan for India, for approval by Client. In the event that Client believes that the training requires amendment, it shall propose the amendments to the Contractor, who shall promptly incorporate Client's comments into the training plan.

13.6 The training plan shall take into account the Staff required for transition, attrition during training and the efficiency of Staff (e.g. holidays, sickness). Any failure to comply with this requirement, which results in delays to transition, shall be the responsibility of the Contractor and any additional costs incurred shall be deemed to be the Contractor's responsibility.

14. **Training Environments**

14.1 It is the responsibility of the Contractor to provide:

- 14.1.1 training rooms in a timely fashion to meet the training plan;
- 14.1.2 the correct number of training rooms to deliver the training plan, with working systems;
- 14.1.3 save as set out in **paragraph 14.2** below rooms suitable for training (which shall not be open office);

- 14.1.4 meeting rooms for feedback and coaching;
- 14.1.5 suitable equipment PC's, overhead projection, flip charts etc to deliver the training;
- 14.1.6 ongoing production of training material for all courses; and
- 14.1.7 logistics and administration support.

14.2 During the Implementation Period which is prior to the Service Commencement Date for the first Work Contract, the Contractor may use as a training area the floor space allocated for provision of Services. If the Contractor chooses to exercise this option, the area used for training must be segregated and all appropriate security measures put in place, in particular in accordance with this **Annex 10** and **Schedule 18**.

15. **Contingency Planning for Transition**

15.1 The Contractor shall ensure that it has a contingency plan to ensure the continued provision of training to Staff in accordance with the timescales set out in the Transition Plan, should one or more of the training rooms become unusable during the Implementation Period.

15.2 The Contractor is responsible for ensuring that the hardware and desktop environments are available and ready to receive the applications in readiness for training and associated timelines.

AS WITNESS the hands of the duly authorised representatives of the parties on the date stated at the beginning of this Work Contract.

SIGNED by [NAME])
duly authorised to sign for and on behalf of)
[CLIENT])
in the presence of:)

SIGNED by [NAME])
duly authorised to sign for and on behalf of)
[CONTRACTOR])
in the presence of:)

SIGNED by [NAME])
duly authorised to sign for and on behalf of)
[CONTRACTOR US])
in the presence of:)

SCHEDULE 16

PARENT COMPANY GUARANTEE

DATED

(4) [GUARANTOR]

(5) CENTRICA PLC

GUARANTEE

Eversheds LLP
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB
Tel +44 (0) 113 243 0391
Fax +44 (0) 113 245 6188

THIS DEED OF GUARANTEE is made on the day of 200[]

BETWEEN

- (1) [] (registered number [NUMBER]) whose registered office is at [ADDRESS] (“the Guarantor”)
- (2) Centrica plc (registered as a public limited company in England under number 3033654) whose registered office is at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD (“the Beneficiary”).

This Deed is entered into pursuant to a Framework Agreement for the provision of services (the “Framework Agreement”) entered into on [] 2012 between the Beneficiary, ExlService Holdings, Inc (“EXL US”) and exl Service.com (India) Private Limited (“EXL India”) in accordance with **clause 34** thereof.

OPERATIVE CLAUSES

1. DEFINITIONS AND INTERPRETATION

1.1 In this Deed following expressions shall have the following meanings:

“**Contractor**” each and/or both (as appropriate) of EXL US and EXL India.

2. GUARANTEE

2.1 The Guarantor irrevocably and unconditionally guarantees to the Beneficiary:

2.1.1 the due and punctual payment by the Contractor of any debts and liabilities, due, owing or incurred to the Beneficiary under the Framework Agreement whether actual or contingent, present or future, anywhere, in any currency, on any account or in any manner whatever, whether alone or jointly to the extent the same shall have arisen, and in accordance with the terms thereof; and

2.1.2 that if the Contractor fails fully and punctually to perform its obligations under the Framework Agreement in accordance with the provisions thereof or is determined to have committed any breach of its obligations under the Framework Agreement which is not remedied in accordance with the terms of the Framework Agreement, the Guarantor shall indemnify and keep the Beneficiary indemnified against all loss, damages costs and expenses

(including reasonable legal fees) which are directly incurred by the Beneficiary arising out of any such failures or breaches, but only if and to the extent that the Contractor is liable for the same under the Framework Agreement.

when and as the same shall become due or on demand in the case of payments under **clause 2.1.2**.

- 2.2 As a separate and primary obligation the Guarantor irrevocably and unconditionally guarantees to the Beneficiary that in the case of default by the Contractor in making any of the payments set out in **clause 2.1**, the Guarantor shall on demand pay all sums as if the Guarantor instead of the Contractor were the primary obligor.
- 2.3 This Deed of Guarantee is a continuing security and is not satisfied, discharged or affected by any payments or performance of any of the obligations, provisions, warranties and undertakings due under the Framework Agreement whether by the Contractor or the Guarantor until all such payments and performance of such obligations, provisions, warranties and undertakings have been paid or made in full.
- 2.4 The Beneficiary may apply any sums received under this Guarantee as it in its absolute discretion from time to time decides, including to the credit of a suspense account.
- 2.5 The termination of this Deed for any reason shall not affect the liability of the Guarantor for any sums, obligations or liabilities, present or future, actual or contingent, which are due, owing or have been incurred prior to the date of termination.
- 2.6 The Guarantor's obligations under this Guarantee are those of primary obligor and exist irrespective of any total or partial invalidity or unenforceability of any purported obligation or liability of the Contractor to the Beneficiary.
- 2.7 If any sum due or purportedly due under this Guarantee is not or would not be recoverable under a guarantee for any reason whatsoever, whether or not known to the Beneficiary, such sum shall still be recoverable from the Guarantor as a sole principal debtor upon the terms of this Guarantee.
- 2.8 The Guarantor acknowledges and agrees that none of its liabilities under this Guarantee shall be terminated, reduced, discharged or otherwise affected by:
- 2.8.1 any variation, extension, release, discharge, compromise, dealing with, exchange or renewal of any security and of any other right or remedy which

the Beneficiary may now or at any time have from or against the Contractor or any other person in respect of any of the obligations and liabilities of the Contractor under the Framework Agreement;

- 2.8.2 any act or omission by the Beneficiary or any other person in taking up, preserving, perfecting or enforcing any security from or against the Contractor or any other person or any such security or other right or remedy held by the Beneficiary being or becoming void, voidable or unenforceable on any ground whatsoever and whether in whole or in part;
- 2.8.3 any termination, amendment, variation, novation or supplement of or to this Agreement (whether oral or in writing), including any increase in the obligations of the Contractor under the Framework Agreement;
- 2.8.4 any grant of time, indulgence, waiver, or concession (whether express or by conduct) to the Contractor or any other person;
- 2.8.5 any claim or enforcement of payment from the Contractor or any other person;
- 2.8.6 any dealing with any third party;
- 2.8.7 the insolvency, liquidation, administration, winding-up, limitation, discharge by operation of law, change in the constitution, name or style of the Contractor;
- 2.8.8 any act or omission which would not have discharged or affected the liability of a sole principal debtor instead of a guarantor or any act, omission, matter or thing which, but for this provision, might operate to exonerate, discharge, reduce or extinguish the Guarantor's liability under this Guarantee;

2.9 The Beneficiary may enforce this Guarantee whether or not it has first:

- 2.9.1 notified the Contractor or any other person of any default of the Contractor;
- 2.9.2 made demand upon, or enforced any claim, right or remedy against the Contractor;
- 2.9.3 taken action or obtained judgment in any Court against the Contractor; or
- 2.9.4 made or filed any claim in a bankruptcy, liquidation, administration or insolvency of the Contractor.

2.10 Except where prevented from so doing by law the Guarantor waives and agrees not to enforce or claim the benefit of any and all rights it has or may from time to time have as guarantor under any applicable law which is or may be inconsistent with any of the provisions of this Guarantee.

3. **PAYMENT AND INTEREST**

3.1 If any sum payable by the Beneficiary under the Framework Agreement is not paid when due then, without prejudice to the Guarantor's other rights under this Deed, that sum shall bear interest from the due date until payment is made in full, both before and after any judgment, at 2 per cent per annum over LIBOR from time to time accruing on a day to day basis.

4. **CONSEQUENCES OF TERMINATION**

4.1 The termination of the Framework Agreement for any reason shall not affect the liability of the Guarantor for any sums, obligations or liabilities which are due, owing or incurred prior to the date of termination of the Framework Agreement.

5. **MISCELLANEOUS**

5.1 No failure or delay by the Beneficiary to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any future exercise of the same, or of some other right, power or remedy.

5.2 No variation to or waiver of any of the terms of this Deed shall be effective unless in writing signed by a duly authorised officer of the Beneficiary.

5.3 If any clause or part of this Deed is found by any court, tribunal, administrative body or authority of competent jurisdiction to be wholly or partly illegal, invalid or unenforceable then that provision shall, to the extent required, be severed from this Deed and shall be ineffective, without as far as is possible modifying any other clause or part of this Deed and this shall not affect any other provisions of this Deed which shall remain in full force and effect.

5.4 This Deed contains all the terms which the parties have agreed in relation to the subject matter of this Deed and supersedes any prior written or oral agreements, representations and understandings between the parties relating to such subject matter. Neither party to this Deed has been induced to enter into this Deed by a statement or promise which it does not contain save that this clause shall not exclude any liability which one party would otherwise have to the other in respect of any statement made fraudulently by that party.

5.5 The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

6. **GOVERNING LAW AND JURISDICTION**

6.1 The performance, existence, construction, formation, validity and all aspects whatsoever of this Deed or of any term of this Deed shall be governed by English Law. The English courts shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed. The parties agree to submit to that jurisdiction.

THIS DOCUMENT has been executed and delivered as a deed on the date stated at the beginning of this Deed.

EXECUTED and DELIVERED)
as a DEED [])
by)
)

EXECUTED and DELIVERED)
as a DEED)
by Centrica plc)
acting by)
[NAME] and [NAME])

Director:

Director/Secretary

SCHEDULE 17

AGREED DOCUMENTS – INDEX

Documents

EXL's Separation Policy

Information Security Policy

Code of Conduct & Ethics Policy – Cultural and House Style Policies

Code of Conduct & Ethics Policy – Behaviors at Work Business Practice

Code of Conduct & Ethics Policy – Behaviors at Work Business Principals

Pricing Menu Framework

Doing the right for Customer

Customer Checklist

Management/Incentives supporting Customer Service Principals

Staff Competency Framework-EXL Performance Management System

Team Leader Competency Framework-EXL Performance Management System

British Gas BCP Standards-Business Continuity Policy

Management Dashboard

Group Continuous Learning's

British Gas my performance and development

Client Brand Values cultural and behavior policy & procedures

Centrica Information Security Policy

SCHEDULE 18

INFORMATION SECURITY REQUIREMENTS

Definitions and Interpretations

In this Schedule the following expressions shall have the following meanings unless the context otherwise requires;

Company Information	For the purposes of this Schedule, shall mean any information or data as defined in the Agreement as Company Data or Company Materials and any other information or data which comes into the possession, knowledge or control of the Supplier in any manner whatsoever
Facility or Facilities	shall mean any kind of building intended to house any combination or permutation of Supplier personnel, data, systems, networks, personal computers, other information handling or processing technologies
PCI DSS	The Payment Card Industry Data Security Standard is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. It has been developed by the major credit card companies as a guideline to help organizations that process card payments prevent credit/debit card fraud and various other security vulnerabilities and threats.
Service	shall mean all the activities and services provided by the Supplier to the Company in fulfilment of the Agreement
Supplier Personnel	shall mean and include, without restriction, all workers whether full time, part time, contract, temporary or ancillary workers who are engaged, directly or indirectly, in the provision of the Service to the Company
Standard	shall mean either the Company's Information Security Minimum Standards or ISO/IEC 17799

shall include, without limitation, the Solution in its entirety and also Centrica's internet/intranet/extranet-related systems; computer equipment (e.g. desktops, laptops, palmtops, PDA's etc); software (e.g. tools, applications, operating systems etc); storage media (e.g. CD-ROMs, DVDs, hard disks, floppy disks, memory devices etc); network services e.g. logon accounts, electronic mail, network file storage, WWW browsing, FTP, remote access etc; telephone systems, telephones, mobile telephones, smart phones and 'internet cafés' and hot-desks (touch down points) running on Centrica Systems.

1. General Provisions

- 1.1. The Supplier shall at all times ensure that all reasonable efforts are made to ensure that the Systems Environment is adequately and appropriately secured to minimise the risk of theft or misuse of Company Information on such Systems Environment and ensure that the information security terms of the Agreement are complied with.
- 1.2. The Supplier shall accept joint and several liability for the failure of any of its Supplier Personnel, and its sub-contractors, agents, or affiliates to comply with the Standard and the information security requirements as set out in this Schedule.
- 1.3. The Supplier shall accept joint and several liability for breach of law on the part of any of its supplier personnel, temporary workers, Agreement supplier personnel and all sub-Contractors, agents, brands or affiliates.

2. Information Security Policy

- 2.1. The Supplier shall operate and maintain an information security policy and information security management system that demonstrates compliance with the Standard.

3. Information Processing & Handling

- 3.1. The Supplier undertakes that it shall process the Company's Information, strictly in accordance with the terms of the Agreement, the Standard and the Company's instructions from time to time.
- 3.2. The Supplier shall ensure that only Supplier Personnel who may be required by the Supplier to enable the Supplier to comply with its obligations under the Agreement shall have access to the Company Information.
- 3.3. The Supplier shall ensure that it has adequate and appropriate operational and technical processes in place to safeguard against any unauthorised access, loss, destruction, theft, use or disclosure of the Company Information. The Supplier will

provide to the Company assurance in respect of the security of any Company Information processed by the Supplier as may be reasonably required by the Company to comply with its obligations under relevant UK and European legislation;

- 3.4. The Supplier shall not, except as required to perform its duties hereunder, duplicate, disclose, transmit or automatically process in any manner, any such information to any third party, nor shall the Supplier, duplicate, disclose, transmit or automatically process in any manner, such Company Information to anyone other than Supplier Personnel in accordance with Clause 3.2 above.

4. Physical Access to Facilities

- 4.1. The Supplier shall ensure that Supplier Personnel job descriptions define where they may and may not work within the Suppliers Facilities and/or Company's Facilities, as relevant. The Supplier shall ensure that it puts in place and operates physical access control mechanisms to prevent Supplier Personnel entering areas within the Supplier's Facilities or Company's Facilities, as relevant, that they are not authorised to enter.

- 4.2. The Supplier shall provide appropriate and adequate physical access control mechanisms to ensure that only properly authorised Supplier Personnel will have physical access to those parts of their Supplier Facilities or Systems Environment that host, support or maintain the Company's own Systems Environment or Company Information.
- 4.3. The Supplier will ensure that physical access controls mechanisms within their facilities for communications rooms, server rooms or any rooms providing connectivity or transport for the Company's Information shall prevent unauthorised Supplier Personnel from entering or accessing Company's Systems Environment, and/or Company Information by using multiple factor authentication. Multiple Factor Authentication means a system of authentication using three or more unique unrelated elements of identity. This could be a password, a username, another unique identifier such as a biometric e.g. Iris scan, fingerprint.
- 4.4. The Supplier shall ensure that only Supplier Personnel authorised to service, maintain or support the Company's Systems Environment and/ or Company Information shall be permitted access to those parts of the Supplier's Facilities and/or Supplier's Systems Environment that host the Company's Systems Environment.
- 4.5. The Supplier shall ensure that any third party requiring access to provide support or maintenance for any equipment that is directly or indirectly involved in providing the Service shall be logged into and out of the Supplier's Facilities including the reason for their visit and the responsible member of Supplier Personnel and shall be escorted by the Supplier at all times.
- 4.6. The Supplier will ensure that written logs will be maintained of access to those parts of the Supplier's Facilities that host the Company's Systems Environment and/or Company Information. The Supplier will monitor these logs and any breaches of their physical security shall be immediately notified to the Company.

5. **Access to the Company's Systems Environment**

- 5.1. Access to the Company's Systems Environment has been and/or will be granted to the Supplier on the express understanding that the Supplier shall
 - 5.1.1 restrict its access, and attempts to access, only to those parts of the Company's Systems Environment necessary and relevant to fulfil its obligations under the Agreement; and
 - 5.1.2 unless otherwise advised in writing by the Company, keep all Company Information obtained in the course of providing the Services under the Agreement strictly confidential and shall use the Company's Systems Environment only for the purposes of the Agreement. This clause applies to all Company information whether or not such Company Information is related to the Agreement
- 5.2. The Supplier shall ensure that access to logon ID's and passwords to enable access into the Company's Systems Environment must be kept strictly confidential by the Supplier and must not be passed on to any third party or to Supplier Personnel who are not authorised for the purposes of the Agreement, unless specifically authorised to do so by the Company in writing.

- 5.3. All controls and limitation of access specified by the Company must be strictly complied with. Such limitations to include defining access to specific systems and times and dates of access as applicable

6. Equipment Policies for Outsource Environments

- 6.1. The Company and the Supplier will be individually responsible for the implementation, change management, support and maintenance of the configuration, management and policies for all information security aspects of the respective Systems Environment including, but not limited to, firewalls, routers, proxies, switches etc which they have each provided and wherever such equipment may be located.
- 6.2. Where the Supplier is responsible for building any equipment intended for use in the provision of the Service such equipment shall be built to standards defined or accepted by the Company in writing.
- 6.3. The Supplier shall keep adequate records of equipment builds and shall make such records available to the Company as requested by the Company.
- 6.4. The Company shall have the right to audit the build of any equipment or the associated records.
- 6.5. All Information security policies relating to the build, configuration, deployment, operation, change management, maintenance and support for all technologies relating to the provision of the Service, including but not limited to, firewalls, proxies, routers, switches etc, shall be agreed in writing with the Company. No changes shall be made to such policies without the prior written agreement of the Company.

7. Damage/Virus Control

- 7.1. The Supplier shall deploy industry appropriate controls to ensure that it does not damage or degrade the Company's Systems Environment in any way or introduce or permit the introduction of computer viruses, worms, trojans, malware, spyware, any form of malicious code or other unauthorised software or make unauthorised changes to software whether accidental or otherwise.

8. Corruption of Company Data

- 8.1. The Supplier must take all reasonable precautions to ensure that the Company Information is not compromised, lost, destroyed or corrupted in any way by the Solution. In the event that any Company Information does become compromised, lost, destroyed or corrupted, in each case, due to Supplier's actions, the Supplier shall re-instate such Company Information at no cost to the Company within seven days or reimburse the Company with any reasonable costs it incurs in recovering such Company Information or addressing and resolving the compromise of that Company Information.

9. Improper/Immoral Use

- 9.1. The Supplier has been granted access to the Company's Systems Environment for the purpose stated in the Agreement only and that any access to or use of the Company's Systems Environment other than that strictly necessary for the purpose of fulfilling its obligations under the Agreement, is strictly forbidden.

10. Link to Other Systems

- 10.1. Where the Supplier accesses the Company's System Environment via the Supplier's Systems Environment, then the Supplier shall ensure that there are no connections from the Supplier's Systems Environment to the Internet or to the Systems Environment of any other organisation which in any way (whether directly or indirectly) links into the Company's Systems Environment unless approved by the Company in writing in advance
- 10.2. Where the Supplier uses email for communications with the Company the Supplier shall not send email messages containing Confidential or Highly Confidential information (as defined in the Company's Information Classification Policy) without using an encryption method or unless otherwise agreed beforehand with the Company.
- 10.3. Where the Supplier has any computer hardware loaded with any Company Information, the Supplier must not permit any connections from the Company's Systems Environment to the internet or to the Systems Environment of any other organisation unless approved by the Company in writing in advance.

11. Supplier Personnel

- 11.1. The Supplier shall, at its own cost and expense, ensure that all Supplier Personnel working for or on behalf of the Supplier and involved, directly or indirectly, in the provision of the Service shall be fully vetted for security compliance at all stages from commencement to completion of the engagement.
- 11.2. The Company shall have the right to define to the Supplier the criteria, method and success factors for acceptable vetting and shall have the right to veto or stipulate the agency to be used for such vetting.
- 11.3. The Supplier shall maintain complete records for each person vetted and the Company shall have the right to review and challenge such records.
- 11.4. Where the vetting process or the associated records are shown to be inadequate the Supplier shall, at its own expense, take appropriate remedial action. Remedial action shall only be deemed appropriate and acceptable if it has been submitted to and accepted by the Company in writing.
- 11.5. All users of the Company's Systems Environment must be granted authorised access using defined and agreed Supplier processes authorised by the Company. The Supplier shall document in writing all user authorisations for all Supplier Personnel who require access to the Company's Systems Environment for the purposes of the Agreement.
- 11.6. All Supplier Personnel must be allocated a unique identifier for their personal and sole use and the Supplier shall ensure that Supplier Personnel activities can subsequently be traced back to the responsible individual.
- 11.7. The Supplier must give all Supplier Personnel who need access to the Company's Systems Environment a written statement of their access rights and ensure they sign

a Company confidentiality statement recording their understanding of the conditions on which access has been granted and the requirements of these conditions. Such statements must be retained by the Supplier and made available to the Company on request. This stands in addition to any other confidentiality statement that the Supplier may require its Supplier Personnel to sign in relation to the Agreement or otherwise.

- 11.8. The Supplier must not allow and the Company will not permit any Supplier Personnel to have access to the Company's Systems Environments until the authorisation procedures are complete and the confidentiality undertakings of the Supplier Personnel have been confirmed.
- 11.9. The Supplier must immediately remove, or request the Company to remove, the access rights of any Supplier Personnel who have changed jobs or left the Supplier's employment or who no longer need access to the Company's Systems Environment and/ or Company Information for the purposes of the Agreement.
- 11.10. The Supplier must check for and remove or request the Company to remove any redundant user identifiers and accounts that are no longer needed. The Supplier must keep a formal record of the checks carried out and provide evidence of these checks to the Company as requested by the Company.
- 11.11. The Supplier must ensure that redundant user identifiers are not re-issued to other Supplier Personnel.
- 11.12. The Supplier must maintain a formal record of all Supplier Personnel authorised to have access to the Company's Systems Environments and must provide the Company with a copy of the record every three months for the duration of the Agreement.
- 11.13. Where allocation of unique identifiers is not feasible the Supplier must provide in writing details of the procedures that they will operate to ensure that activities using shared identifiers are monitored and can be traced back to the responsible individual. Such procedures must be submitted thirty five days prior to its proposed implementation for approval by the Company. The Company will review such procedures and reserves the right to make reasonable changes to them in order to safeguard the confidentiality, integrity and availability of the Company Information and/or the Company's Systems Environment.

12. Awareness & Training

- 12.1. The Supplier shall ensure that its Supplier Personnel and all sub-contractors are aware of the obligations set out in this Schedule and shall comply with them.
- 12.2. The Supplier shall ensure that the Supplier Personnel are made aware of the Company Policies, with special regard to the following: –
 - Information Security Policy
 - Information Classification Policy

- Acceptable Use Policy (Use of Email, Internet Systems & Applications and Telephony)

- 12.3. The Supplier must ensure that Supplier Personnel do not access the Company's Systems Environments without having been given the training agreed with the Company on how to use the Company's Systems Environment and the Company's Information Security policies, standards and procedures as they relate to the provision of the Service; and the Suppliers own Information Security policies, standards and procedures. The Supplier must keep a formal record of the training carried out and provide evidence of this training to the Company on request.
- 12.4. The Company will, for the duration of the Agreement, provide ongoing advice to overcome any problems that the Supplier may have in operating the Company's Systems Environments. As such the Supplier must not attempt to resolve any problems, which, as a result, could jeopardize the Company's Systems Environments or the hardware on which the Company's Systems Environments runs. Any problems encountered in the use of the Company's Systems Environment must be reported immediately to the Company through the agreed channels.
- 12.5. The Supplier shall ensure that all Supplier Personnel complete an information security awareness training programme which shall include all the requirements of Clause 12.1 above:
- 12.5.1. at induction into the Supplier's employment;
 - 12.5.2. before being given access to the Company's Systems Environment and/ or Company Information; and
 - 12.5.3. at regular intervals thereafter, such intervals to be no more than 12 months.
- 12.6. The Supplier shall:
- 12.6.1. ensure that Supplier Personnel shall only have access to those parts of the Company's Systems Environments for which they have been adequately trained;
 - 12.6.2. ensure that Supplier Personnel shall only be involved in the provision of the Service or parts of the Service for which they have been adequately trained; and
 - 12.6.3. ensure that any training courses which the Supplier provides in fulfilment of these clauses shall have been previously agreed with the Company in writing.
- 12.7. The Supplier shall permit the Company to audit the training or awareness provided in respect of its obligations under the terms of this Schedule. Should such training or awareness be shown to be inadequate the Supplier shall make good the inadequacy in accordance with the section "Remediation & Deviation".

13. Secure Disposal of Company Information

- 13.1. Any Company Information which has been so reproduced but is no longer needed shall be treated as Confidential waste. The Supplier shall use a procedure that is agreed in writing with the Company or otherwise adopt and implement the Company's Information Classification Policy. The Supplier shall:
- 13.1.1. securely destroy or dispose of Company Information;

- 13.1.2. shall provide independently verifiable evidence that all Company Information has been irretrievably destroyed or disposed of; and
- 13.1.3. shall only use a means of disposal or destruction previously agreed with the Company in writing.

14. Encryption

- 14.1. Portable devices
 - 14.1.1. The supplier shall ensure that all devices including portable and removal media that will contain Company data shall be encrypted to FIPS 2 standard at minimum.
- 14.2. Transmission channels
 - 14.2.1. The supplier shall ensure that personal or Company sensitive data transferred to the Company or Sub Contractors to the supplier is encrypted.

15. Audit and Compliance

- 15.1. Whichever Standard the Supplier chooses it must provide documentary evidence of its information security management system. The information security management system must include:
 - 15.1.1. Information security policy,
 - 15.1.2. Scope statement,
 - 15.1.3. Statement of applicability,
 - 15.1.4. Risk management plan
 - 15.1.5. Risk treatment plan; and
 - 15.1.6. Incident Management PlanThe Company reserves the right to review the Supplier's information security management system and to require changes where it considers the information security management system is insufficient to ensure Supplier information security meets the Standards.
- 15.2. For audit purposes the Supplier shall:
 - 15.2.1. permit the Company and/or the Company's professional advisers to perform documentary audits in order to demonstrate that the Supplier has implemented a complete and documented Suppliers Information Security Management System,

- 15.2.2. permit the Company and/or the Company's professional advisers to perform technical audits and security checks, including but not limited to: application, system and network penetration tests; vulnerability tests; security process tests in order to demonstrate operational compliance with the Company's Information Security Requirements as detailed in Agreement,
- 15.2.3. permit the Company and/or the Company's professional advisers to perform audits of the Supplier's Facilities in order to demonstrate compliance with the Company's Information Security Requirements as detailed in Agreement,
- 15.2.4. provide to the Company, on request, audit reports performed by both internal and qualified third parties, and
- 15.2.5. provide to the Company, on request, the remedial action plan(s) arising from an internal or external audit.
- 15.3. Where the Supplier has chosen to comply with the Company's Information Security Minimum Standards the Supplier shall, at its own cost and expense, complete:
 - 15.3.1. a gap analysis between the Suppliers own Information Security policy, standards and procedures and the Company's Information Security Policy, Minimum Standards and supporting procedures,
 - 15.3.2. a risk assessment of the areas of non-compliance using a risk assessment tool agreed in writing with the Company,
 - 15.3.3. a risk management plan, agreed in writing with the Company, which will detail how each area of non-compliance and the associated risk shall be treated,
 - 15.3.4. a remediation plan defining how the risk management plan shall be implemented according to clause 15.4 below.
- 15.4. If the Supplier is non-compliant against Company's Information Security Requirements as detailed in Agreement the Company shall have the right to insist on remedial work if the non-compliance is judged, in the Company's opinion, to materially affect the security of its Company Personnel, Company Information, Systems Environment, processes, operations or reputation.
- 15.5. The Company shall have the right to install and operate such monitoring technologies and processes that it deems necessary to ensure that Company Information and/or Company's Systems Environments are used in accordance with the terms of the Agreement.

16. Remediation & Deviation

- 16.1. Any intended deviation from complete compliance with the Company's Information Security Requirements as detailed in Agreement must be disclosed

promptly to the Company. The Supplier shall provide the Company a written justification defining why the deviation does not materially affect the risk exposure to the Company in accordance with clauses 15.3.1 to 15.3.4 of this Schedule.

- 16.2. The Company shall have the right to dispute such justification and require the Supplier to bring the deviation into demonstrable compliance with the Company's Information Security Requirements as detailed in Agreement and in accordance with provisions of Clause 16.4 of this Schedule.
- 16.3. Any unintended deviation from complete compliance with the Standard by the Supplier must be disclosed to the Company when it has been discovered. The Supplier shall provide a written assessment of the material risk exposure to the Company as defined in clauses 15.3.1 to 15.3.4 of this Schedule.
- 16.4. All remedial action required as a result of a non-compliance by the Supplier against the terms of this Agreement:
 - 16.4.1. shall be accompanied by a remedial action plan including specific objectives and timetable for completion and
 - 16.4.2. shall be subject to written approval by the Company in advance and
 - 16.4.3. shall be wholly and completely implemented at the Suppliers expense

17. Security Incidents

- 17.1. Any known, anticipated or arising security incident that can be seen to directly or indirectly affect the Company, Company Personnel, Company Systems Environment, or Company Information, Company Facilities, processes, operations or reputation shall be immediately notified to the Company through an agreed and documented escalation process.
- 17.2. The Company shall have the right to be present and involved in the resolution of any incident and shall have the right to decide how the incident may be resolved.
- 17.3. Should any incident require formal investigation of any Supplier Personnel, Supplier Information or Supplier Systems Environment, such investigation shall only commence by agreement with the Company and shall only proceed under the Company's direct supervision. The Company shall have the right, should it deem it necessary, to insist that such an investigation be handled only by its own personnel or its nominated representative.
- 17.4. Formal investigation of any Supplier Personnel, Supplier Information or Supplier Systems Environment shall be carried out in compliance with relevant UK laws or regulations.

18. PCI DSS

- 17.1. Where relevant to the provision of the Service, where credit card information is

collected from whatever source as part of any process that contributes to the delivery of the Service, the Supplier undertakes that it will comply in full with the obligations set it by the PCI DSS requirements. It will further, where necessary, carry out gap analysis, instruct Qualifies Security Assessor testing and complete remediation work to enable ongoing compliance at its own expense.

- 17.2. Where relevant to the provision of the Service, the Supplier will warrant that it is PCI DSS compliant and indemnifies the Company for any fine, levy or sanction imposed on the Supplier for any non compliance with the PCI DSS regulations made by any court, payment brand or payment aggregator or card issuer.
- 17.3. The Supplier will supply to the Company, on request, any summary of any gap analysis, QSA report or remediation action plan that demonstrates its compliance with PCI DSS.

19. Termination of Agreement

- 19.1. Upon termination of the Agreement for any reason, in addition to the termination provisions as set out in the Agreement, the Supplier shall also: –
 - 19.1.1. undertake to return all Company Information;
 - 19.1.2. be required to securely destroy or confidentially dispose of any information or documentation to which it is not entitled and which is not required to be returned to the Company
 - 19.1.3. provide independently verifiable evidence that all Company Information has been returned or irretrievably destroyed or disposed of; and
 - 19.1.4. only use a means of disposal or destruction previously agreed with the Company in writing.

SCHEDULE 19

FORM OF TRANSFORMATIONAL WORK CONTRACT

Work Contract Number [-] for TRANSFORMATIONAL SERVICES

Dated [Insert date]

Parties

Client [British Gas Trading Limited OR
British Gas Services Limited (*delete one*)] (“Client”)
Registered Address Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD
Registered Number 3078711 (*if British Gas Trading Limited*)
3141243 (*if British Gas Services Limited*)
(*delete one*)

Contractor [Please ask the Contractor to provide these details] (“Contractor”)

Registered Address
Registered Number

Term

Commencement Date [Insert date]

Expiry Date [Insert date] OR [The date that the last set of **services** are provided under this **contract**]

This Work Contract for transformational services is issued pursuant to the Framework Agreement for the Provision of Services CEN/MAS/2012/20170 between Client and the Contractor (the “**Agreement**”). The parties agree that this Work Contract has not been construed in accordance with Schedule 2 of the Agreement; it is however both parties intention that, to the extent applicable, the terms of the Agreement shall apply to Services performed under this Work Contract.

Services

Insert details of Services –

- What Services are being provided?
- Is there transitional or preparatory work, which the Contractor is carrying out?
- Are there any time limits, milestones, etc?
- What is the purpose for which the services are going to be used?
- Where are the services to be provided?
- Are there any ongoing maintenance services after the main services have been completed?
- Are there any agreed service levels e.g. percentage of calls taken within a period of time, quality levels?
- Are there any reporting requirements – e.g. monthly reports from Contractor to us?
- Is there a project plan? If so, consider including it here.

Price

Insert details of the Price

- *Have you agreed a fixed price? Is there any scenario in which this is not fixed? If so, set out mechanism for pricing in that scenario (e.g. hourly rate or by agreement)*
- *If it is not fixed, how is it to be calculated? Is there an hourly or daily rate?*
- *Is there any agreement for increasing the fees over the life of the contract?*
- *Insert any inflation terms*
- *Insert any foreign exchange adjustment terms*

Special Conditions

Insert any special conditions

Examples could include: branding, publicity, approval of marketing copy, interaction with other British Gas suppliers, acceptance testing for services, details of specified individuals who will work on the services.

Note if background checks are required.

SIGNED BY the duly authorised representatives of the **parties**

SIGNED on behalf of **CLIENT**

SIGNED on behalf of **CONTRACTOR**

**SCHEDULE 20 – MANAGEMENT OF HEALTH, SAFETY &
ENVIRONMENT OFFSHORE**

1. General Provisions

- 1.1. The Contractor shall at all times ensure that all reasonable endeavours are made to comply with this **Schedule 20** and ensure that the Health, Safety and Environment is adequately and appropriately maintained to minimise the risk to both parties.
- 1.2. The Contractor shall appoint a Health & Safety Committee who will have responsibility for the management of Health, Safety & Environment throughout the Agreement.

2. Health, Safety and Environment Guidelines

2.1. The Contractor shall use reasonable endeavours to comply with the following guidelines:

2.1.1. Fire & Evacuation

- Fire / smoke detection systems to be in place at the Premises
- Safe evacuation routes are clearly identified/signed with final escape doors which are deactivated and stay continuously unlocked in the event of an evacuation
- A structured fire warden regime with local responsibilities (e.g. each floor) to ensure that the building has been fully evacuated in the event of a fire
- Monthly testing of the fire alarm system
- Evacuation of all staff for fire drills at least twice per Contract Year
- Clearly designated/signed final assembly areas for fire and bomb evacuation
- Chairs which can be adjusted to suit the individual (i.e. height, back rake angle etc)
- Checks on the adequacy of individual desk arrangements / seating posture when using computers on desks
- Regular opportunity for breaks in routine activity to ensure that postural injuries are avoided.

-
- 2.1.2. Bomb Threats & Evacuation
 - An effective bomb evacuation procedure including call handling process, assessment of threat stage, security check procedures and decision to evacuate
 - 2.1.3. Drinking Water
 - The provision and availability of safe drinking water
 - Adequate numbers of WCs
 - 2.1.4. Legionella
 - A check for the presence of legionella in hot water systems and air conditioning systems.
 - Regular treatment to prevent the occurrence of legionella in water systems.
 - 2.1.5. Temperature and Humidity Control
 - Comfortable working environment
 - 2.1.6. Communications
 - An accident reporting process coupled with local investigation conducted by line management to be established
 - A local safety committee (Occupational Health Safety Accreditation Services) to meet quarterly to discuss potential safety risks
 - 2.1.7. Security and Access
 - Controlled access to the premises in and out of normal hours

2.1.8. A Safe Workplace

- *Walkways and stairwell clear of trip hazards*
- *Flooring in good condition*
- *Adequately maintained lifts*
- *Adequate lighting in all areas*
- *Necessary control of external traffic movements (i.e. direction signs, road markings, lighting as necessary)*
- *Monthly reviews by the Health & Safety Committee*

SCHEDULE 21 – DATA PROCESSING AGREEMENT

Standard Contractual Clauses (Processors)

DATA TRANSFER AGREEMENT

Between

(hereinafter **the data exporter**)

and

(hereinafter **data importer**)

each a **party**; together **the parties**.

(name)

(address and country of establishment)

(name)

(address and country of establishment)

DEFINITIONS

For the purposes of the clauses:

(a) **personal data, special categories of data/sensitive data, process/processing, controller, processor, data subject and supervisory authority/authority** shall have the same meaning as in Directive 95/46/EC of 24 October 1995 (whereby **the authority** shall mean the competent data protection authority in the territory in which the data exporter is established);

(b) **the data exporter** shall mean the controller who transfers the personal data;

(c) **the data importer** shall mean the controller who agrees to receive from the data exporter personal data for further processing in accordance with the terms of these clauses and who is not subject to a third country's system ensuring adequate protection;

(d) **clauses** shall mean these contractual clauses, which are a free-standing document that does not incorporate commercial business terms established by the parties under separate commercial arrangements.

The details of the transfer (as well as the personal data covered) are specified in Appendix B which forms an integral part of the clauses.

1. OBLIGATIONS OF THE DATA EXPORTER

The data exporter warrants and undertakes that:

- (a) The personal data have been collected, processed and transferred in accordance with the laws applicable to the data exporter.

- (b) It has used reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses.
- (c) It will provide the data importer, when so requested, with copies of relevant data protection laws or references to them (where relevant, and not including legal advice) of the country in which the data exporter is established.
- (d) It will respond to enquiries from data subjects and the authority concerning processing of the personal data by the data importer, unless the parties have agreed that the data importer will so respond, in which case the data exporter will still respond to the extent reasonably possible and with the information reasonably available to it if the data importer is unwilling or unable to respond. Responses will be made within a reasonable time.
- (e) It will make available, upon request, a copy of the clauses to data subjects who are third party beneficiaries under clause 3, unless the clauses contain confidential information, in which case it may remove such information. Where information is removed, the data exporter shall inform data subjects in writing of the reason for removal and of their right to draw the removal to the attention of the authority. However, the data exporter shall abide by a decision of the authority regarding access to the full text of the clauses by data subjects, as long as data subjects have agreed to respect the confidentiality of the confidential information removed. The data exporter shall also provide a copy of the clauses to the authority where required.

2. OBLIGATIONS OF THE DATA IMPORTER

The data importer warrants and undertakes that:

- (a) It will have in place appropriate technical and organisational measures to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected.
- (b) It will have in place procedures so that any third party it authorises to have access to the personal data, including processors, will respect and maintain the confidentiality and security of the personal data. Any person acting under the authority of the data importer, including a data processor, shall be obligated to process the personal data only on instructions from the data importer. This provision does not apply to persons authorised or required by law or regulation to have access to the personal data.
- (c) It has no reason to believe, at the time of entering into these clauses, in the existence of any local laws that would have a substantial adverse effect on the guarantees provided for under these clauses, and it will inform the data exporter (which will pass such notification on to the authority where required) if it becomes aware of any such laws.

- (d) It will process the personal data for purposes described in Annex B and has the legal authority to give the warranties and fulfil the undertakings set out in these clauses.
- (e) It will identify to the data exporter a contact point within its organisation authorised to respond to enquiries concerning processing of the personal data, and will cooperate in good faith with the data exporter, the data subject and the authority concerning all such enquiries within a reasonable time. In case of legal dissolution of the data exporter, or if the parties have so agreed, the data importer will assume responsibility for compliance with the provisions of clause 1(e).
- (f) At the request of the data exporter, it will provide the data exporter with evidence of financial resources sufficient to fulfil its responsibilities under clause 3 (which may include insurance coverage).
- (g) Upon reasonable request of the data exporter, it will submit its data processing facilities, data files and documentation needed for processing to reviewing, auditing and/or certifying by the data exporter (or any independent or impartial inspection agents or auditors, selected by the data exporter and not reasonably objected to by the data importer) to ascertain compliance with the warranties and undertakings in these clauses, with reasonable notice and during regular business hours. The request will be subject to any necessary consent or approval from a regulatory or supervisory authority within the country of the data importer, which consent or approval the data importer will attempt to obtain in a timely fashion.
- (h) It will process the personal data, at its option, in accordance with:
 - (i) the data protection laws of the country in which the data exporter is established, or
 - (ii) the relevant provisions of any Commission decision pursuant to Article 25(6) of Directive 95/46/EC, where the data importer complies with the relevant provisions of such an authorisation or decision and is based in a country to which such an authorisation or decision pertains, but is not covered by such authorisation or decision for the purposes of the transfer(s) of the personal data, or
 - (iii) the data processing principles set forth in Annex A.

Data importer to indicate which option it selects:

Initials of data importer:

- (i) It will not disclose or transfer the personal data to a third party data controller located outside the European Economic Area (EEA) unless it notifies the data exporter about the transfer and
 - (i) the third party data controller processes the personal data in accordance with a Commission decision finding that a third country provides adequate protection, or
 - (ii) the third party data controller becomes a signatory to these clauses or another data transfer agreement approved by a competent authority in the EU, or
 - (iii) data subjects have been given the opportunity to object, after having been informed of the purposes of the transfer, the categories of recipients and the fact that the countries to which data is exported may have different data protection standards, or
 - (iv) with regard to onward transfers of sensitive data, data subjects have given their unambiguous consent to the onward transfer

3. LIABILITY AND THIRD PARTY RIGHTS

- (a) Each party shall be liable to the other parties for damages it causes by any breach of these clauses. Liability as between the parties is limited to actual damage suffered. Punitive damages (i.e. damages intended to punish a party for its outrageous conduct) are specifically excluded. Each party shall be liable to data subjects for damages it causes by any breach of third party rights under these clauses. This does not affect the liability of the data exporter under its data protection law.
- (b) The parties agree that a data subject shall have the right to enforce as a third party beneficiary this clause and clauses clause 1(b), clause 1(d), clause 1(e), clause 2(a), clause 2(c), clause 2(d), clause 2(e), clause 2(h), clause 2(i), clause 3(a), clause 5, clause 6(d) and clause 7 against the data importer or the data exporter, for their respective breach of their contractual obligations, with regard to his personal data, and accept jurisdiction for this purpose in the data exporter's country of establishment. In cases involving allegations of breach by the data importer, the data subject must first request the data exporter to take appropriate action to enforce his rights against the data importer; if the data exporter does not take such action within a reasonable period (which under normal circumstances would be one month), the data subject may then enforce his rights against the data importer directly. A data subject is entitled to proceed directly against a data exporter that has failed to use reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses (the data exporter shall have the burden to prove that it took reasonable efforts).

4. LAW APPLICABLE TO THE CLAUSES

These clauses shall be governed by the law of the country in which the data exporter is established, with the exception of the laws and regulations relating to processing of the personal data by the data importer under clause 2(h) which shall apply only if so selected by the data importer under that clause.

5. RESOLUTION OF DISPUTES WITH DATA SUBJECTS OR THE AUTHORITY

- (a) In the event of a dispute or claim brought by a data subject or the authority concerning the processing of the personal data against either or both of the parties, the parties will inform each other about any such disputes or claims, and will cooperate with a view to settling them amicably in a timely fashion.
- (b) The parties agree to respond to any generally available non-binding mediation procedure initiated by a data subject or by the authority. If they do participate in the proceedings, the parties may elect to do so remotely (such as by telephone or other electronic means). The parties also agree to consider participating in any other arbitration, mediation or other dispute resolution proceedings developed for data protection disputes.
- (c) Each party shall abide by a decision of a competent court of the data exporter's country of establishment or of the authority which is final and against which no further appeal is possible.

6. TERMINATION

- (a) In the event that the data importer is in breach of its obligations under these clauses, then the data exporter may temporarily suspend the transfer of personal data to the data importer until the breach is repaired or the contract is terminated.
- (b) In the event that:
 - (i) the transfer of personal data to the data importer has been temporarily suspended by the data exporter for longer than one month pursuant to clause 6(a);
 - (ii) compliance by the data importer with these clauses would put it in breach of its legal or regulatory obligations in the country of import;
 - (iii) the data importer is in substantial or persistent breach of any warranties or undertakings given by it under these clauses;
 - (iv) a final decision against which no further appeal is possible of a competent court of the data exporter's country of establishment or of the authority rules that there has been a breach of the clauses by the data importer or the data exporter; or

- (v) a petition is presented for the administration or winding up of the data importer, whether in its personal or business capacity, which petition is not dismissed within the applicable period for such dismissal under applicable law; a winding up order is made; a receiver is appointed over any of its assets; a trustee in bankruptcy is appointed, if the data importer is an individual; a company voluntary arrangement is commenced by it; or any equivalent event in any jurisdiction occurs

then the data exporter, without prejudice to any other rights which it may have against the data importer, shall be entitled to terminate these clauses, in which case the authority shall be informed where required. In cases covered by clause 6(b)(i), clause 6(b)(ii), or clause 6(b)(iv) above the data importer may also terminate these clauses.

- (c) Either party may terminate these clauses if
 - (i) any Commission positive adequacy decision under Article 25(6) of Directive 95/46/EC (or any superseding text) is issued in relation to the country (or a sector thereof) to which the data is transferred and processed by the data importer, or
 - (ii) Directive 95/46/EC (or any superseding text) becomes directly applicable in such country.
- (d) The parties agree that the termination of these clauses at any time, in any circumstances and for whatever reason (except for termination under clause 6(c) does not exempt them from the obligations and/or conditions under the clauses as regards the processing of the personal data transferred.

7. VARIATION OF THESE CLAUSES

The parties may not modify these clauses except to update any information in Annex B in which case they will inform the authority where required. This does not preclude the parties from adding additional commercial clauses where required.

8. DESCRIPTION OF THE TRANSFER

The details of the transfer and of the personal data are specified in Annex B The parties agree that Annex B may contain confidential business information which they will not disclose to third parties, except as required by law or in response to a competent regulatory or government agency, or as required under clause 1(e). The parties may execute additional annexes to cover additional transfers, which will be submitted to the authority where required. Annex B may, in the alternative, be drafted to cover multiple transfers.

Dated:

DATA EXPORTER

DATA IMPORTER

Annex A.

DATA PROCESSING PRINCIPLES

1. Purpose limitation: Personal data may be processed and subsequently used or further communicated only for purposes described in Annex B or subsequently authorised by the data subject.
2. Data quality and proportionality: Personal data must be accurate and, where necessary, kept up to date. The personal data must be adequate, relevant and not excessive in relation to the purposes for which they are transferred and further processed.
3. Transparency: Data subjects must be provided with information necessary to ensure fair processing (such as information about the purposes of processing and about the transfer), unless such information has already been given by the data exporter.
4. Security and confidentiality: Technical and organisational security measures must be taken by the data controller that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, presented by the processing. Any person acting under the authority of the data controller, including a processor, must not process the data except on instructions from the data controller.
5. Rights of access, rectification, deletion and objection: As provided in Article 12 of Directive 95/46/EC, data subjects must, whether directly or via a third party, be provided with the personal information about them that an organisation holds, except for requests which are manifestly abusive, based on unreasonable intervals or their number or repetitive or systematic nature, or for which access need not be granted under the law of the country of the data exporter. Provided that the authority has given its prior approval, access need also not be granted when doing so would be likely to seriously harm the interests of the data importer or other organisations dealing with the data importer and such interests are not overridden by the interests for fundamental rights and freedoms of the data subject. The sources of the personal data need not be identified when this is not possible by reasonable efforts, or where the rights of persons other than the individual would be violated. Data subjects must be able to have the personal information about them rectified, amended, or deleted where it is inaccurate or processed against these principles. If there are compelling grounds to doubt the legitimacy of the request, the organisation may require further justifications before proceeding to rectification, amendment or deletion. Notification of any rectification, amendment or deletion to third parties to whom the data have been disclosed need not be made when this involves a disproportionate effort. A data subject must also be able to object to the processing of the personal data relating to him if there are compelling legitimate grounds relating to his particular situation. The burden of proof for any refusal rests on the data importer, and the data subject may always challenge a refusal before the authority.
6. Sensitive data: The data importer shall take such additional measures (e.g. relating to security) as are necessary to protect such sensitive data in accordance with its obligations under clause 2.
7. Data used for marketing purposes: Where data are processed for the purposes of direct marketing, effective procedures should exist allowing the data subject at any time to “opt-out” from having his data used for such purposes.
8. Automated decisions: For purposes hereof “automated decision” shall mean a decision by the data exporter or the data importer which produces legal effects concerning a data subject

or significantly affects a data subject and which is based solely on automated processing of personal data intended to evaluate certain personal aspects relating to him, such as his performance at work, creditworthiness, reliability, conduct, etc. The data importer shall not make any automated decisions concerning data subjects, except when:

(a) such decisions are made by the data importer in entering into or performing a contract with the data subject, and

(ii) (the data subject is given an opportunity to discuss the results of a relevant automated decision with a representative of the parties making such decision or otherwise to make representations to that parties.

or

(b) where otherwise provided by the law of the data exporter.

Annex B.

DESCRIPTION OF THE TRANSFER

(To be completed by the parties)

Data subjects

The personal data transferred concern the following categories of data subjects:

Purposes of the transfer(s)

The transfer is made for the following purposes:

Categories of data

The personal data transferred concern the following categories of data:

Recipients

The personal data transferred may be disclosed only to the following recipients or categories of recipients:

Sensitive data (if appropriate)

The personal data transferred concern the following categories of sensitive data:

Data protection registration information of a data exporter (where applicable)

Additional useful information (storage limits and other relevant information)

Contact points for data protection enquiries

DATA EXPORTER

DATA IMPORTER

SCHEDULE 22 CORPORATE RESPONSIBILITY POLICY

Procurement and Corporate Responsibility Policy for Suppliers

Centrica and its affiliates (“the Company”) have adopted their own business principles and code of conduct for corporate and procurement responsibility which set out their commitment to acting with integrity and in a professional and fair way in the course of doing business which the Company also expects its business partners and suppliers (“Suppliers”) to adhere to wherever the Company works in the world. The Company will engage with its Suppliers to manage the social, environmental and ethical impact of its activities in the different markets in which it operates and to ensure that customer experiences and business partnerships are enhanced. To this end Suppliers must ensure that they promote the application of this Policy or terms providing equivalent protection to this Policy throughout their own supply chain and the Company will monitor performance and take appropriate action if it believes its standards are not being observed.

The key elements of the Company’s policy are fundamental to its business dealings and its relationship with its Suppliers.

Accordingly Suppliers with whom the Company contracts, are required to comply with the terms of this policy as set out below

Key Elements:

- **Business principles/code of conduct**

The Supplier confirms that:

- it has a set of business principles or a code of conduct that applies across its company including subsidiaries which establishes the minimum standards to which the company will operate
- such business principles include a commitment to operate with professionalism and integrity.
- such business principles commit the Supplier to manage the social, environmental and ethical impact of its business.

- **Focusing on health, safety and security**

The Supplier confirms that it has:

- a robust health and safety management system (“HSMS”) in place including but not limited to
 - policy,
 - board level accountability,
 - measuring, and reporting.

Suppliers' HSMS should preferably be based on externally verified international standards such as ISO.

- **Tackling climate change and environmental impact**

Suppliers are required to actively manage their own environmental impact and where possible, help the Company to meet its environmental goals

The Supplier confirms that it has a robust environmental management system ("EMS") in place including but not limited to its commitment to reduce its impact on the environment To achieve this it;

- has board level accountability for environmental impact; and
- undertakes detailed measuring and reporting of its environmental impact.

Suppliers' EMS should preferably be based on externally recognised EMS such as ISO or EMAS.

- **Respecting human rights**

Unless otherwise required or prohibited by law, the Supplier confirms that, to the best of its knowledge:

- it does not employ engage or otherwise use any child labour in circumstances such that the tasks performed by any such child labour could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;
- it does not use forced labour in any form (prison, indentured, bonded or otherwise) and its employees are not required to lodge papers or deposits on starting work;
- it provides a safe and healthy workplace, presenting no immediate hazards to its employees. Any housing provided by the Supplier to its employees is safe for habitation. The Supplier provides access to clean water, food, and emergency healthcare to its employees in the event of accidents or incidents at the Supplier's workplace;
- it does not discriminate against any employees on any ground (including race, religion, disability or gender).
- it does not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and does not use cruel or abusive disciplinary practices in the workplace;
- it pays each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is the higher) and provides each employee with all legally mandated benefits;

- it complies with the laws on working hours and employment rights in the countries in which it operates;
- it is respectful of its employees right to join and form independent trade unions and freedom of association.

The Supplier shall ensure that it has ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

- **Ensuring integrity in our business transactions**

The Company has a zero tolerance policy to bribery and corruption.

The Supplier will not:

1. offer, promise or give a financial or other advantage to another person or business with the intention to induce or reward that person to perform improperly a relevant function or activity (“Bribing”).
2. request, agree to receive or accept a financial advantage for the improper performance of a relevant function or activity (Being bribed”)
3. bribe a foreign public official with the intent to influence the official and obtain or retain business or an advantage in the conduct of business (“Bribing a foreign public official”)

and will not tolerate or accept any such behaviour from its suppliers.

The Supplier, therefore, warrants that

- it will comply with all relevant bribery legislation
- it has in place a policy on anti-corruption that applies across its company, including subsidiaries.
- the policy prohibits bribes of any form as described above, including kickback payments and facilitation payments
- it will not use gifts or donations, politically or otherwise, to influence a stakeholder or business partner.
- it will not, in its relationship with the Company (including its employees and contractors), offer excessive gifts, hospitality or donations or seek to obtain a non-legitimate business advantage with gifts, hospitality or donations.

The Supplier shall also ensure that any person associated with it who is performing services or providing goods in connection with the Agreement does so following the satisfactory completion of proportionate, documented due diligence on such person.

- **Diversity and Inclusion**

The Supplier confirms that

- it will recruit people on the basis of
 - the qualifications and abilities needed to do the job, while promoting diversity and development throughout our business.
 - it will not operate any form of discrimination, harassment or bullying in the workplace

- **Local impact**

The Supplier confirms that

- it has a policy to outline how the it manages its social and economic impact on local stakeholders and communities.
- such policy outlines
 - when the Supplier will conduct impact assessments,
 - who the company will allow to participate in impact assessments, and
 - where and when the impact assessments will be made available.

- **Dealing openly and fairly**

The Supplier confirms that it will be open, transparent and fair in its communications and dealings with its own business partners and other stakeholders affected by its supply chain activities and will take reasonable steps to ensure that it fulfils the payment terms and other conditions agreed with its business partners.

- **Responding to feedback**

The Supplier confirms that it will be responsive to any concerns raised by the Company about the Supplier's own supply chain raised by stakeholders or by our business partners through the Company's procurement and supplier management process.

Subsidiaries of the Registrant

<u>Name of Subsidiary</u>	<u>Jurisdiction</u>
BPO Enterprises, Inc.	Delaware
Business Process Outsourcing (India) Private Limited	India
Business Process Outsourcing Ltd.	Mauritius
Business Process Outsourcing, Inc.	Delaware
exl Service.com (India) Private Limited	India
Exl Support Services Private Limited	India
ExlService (U.K.) Limited	United Kingdom
ExlService Czech Republic S.R.O.	Czech Republic
ExlService Mauritius Limited	Mauritius
ExlService Philippines, Inc.	Philippines
ExlService Romania Private Limited S.R.L.	Romania
ExlService SEZ BPO Solutions Private Limited	India
Exl Service.com, Inc.	Delaware
Inductis (India) Private Limited	India
Inductis (Singapore) PTE Limited	Singapore
Inductis, Inc.	Delaware
Inductis, LLC	Delaware
OPI Limited	Mauritius
Outsource Partners International Corporation	Nova Scotia
Outsource Partners International EAD	Bulgaria
Outsource Partners International Ltd.	United Kingdom
Outsource Partners International Private Limited	India
Outsource Partners International SDN BHD	Malaysia
Outsource Partners International, Inc.	Cayman
Outsource Partners International, Inc.	Delaware
PDMA International Limited	Delaware
Professional Data Management Again, Inc.	Delaware
Trumbull Services LLC	Connecticut

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-179098) of ExlService Holdings, Inc.;
- (2) Registration Statement (Form S-8 No. 333-139211) pertaining to the 2006 Omnibus Award Plan of ExlService Holdings, Inc.; and
- (3) Registration Statement (Form S-8 No. 333-157076) pertaining to the 2003 Stock Option Plan, 2003 India Stock Employee Option Plan, 2006 Omnibus Award Plan, 2006 Omnibus India Subplan 1 and 2006 Omnibus India Subplan 2 of ExlService Holdings, Inc.;

of our reports dated March 6, 2012, with respect to the consolidated financial statements of ExlService Holdings, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of ExlService Holdings, Inc. and subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/ Ernst & Young LLP

New York, New York
March 6, 2012

SECTION 302 CERTIFICATION

I, Rohit Kapoor, certify that:

1. I have reviewed this annual report of ExlService Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/ Rohit Kapoor

Rohit Kapoor
President and Chief Executive Officer

SECTION 302 CERTIFICATION

I, Vishal Chhibbar, certify that:

1. I have reviewed this annual report of ExlService Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2012

/s/ Vishal Chhibbar

Vishal Chhibbar
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ExlService Holdings, Inc. (the Company) on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Rohit Kapoor, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rohit Kapoor

Rohit Kapoor
President and Chief Executive Officer

March 6, 2012

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ExlService Holdings, Inc. (the Company) on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Vishal Chhibbar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Vishal Chhibbar

Vishal Chhibbar
Chief Financial Officer

March 6, 2012