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CORPORATE GOVERNANCE: A CHALLENGE TO INFOSYS

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ABSTRACT

Business is a keystone towards prosperity in a society wherein companies play a major role in creating resources that lead to social development and welfare. However, it becomes difficult to fix standards for the companies. In the recent past, there has been an increase in the number of controversies relating to corporate governance and bureaucracy. Infosys, India's most admired and best-known global brand is an archetype for corporate governance. As rightly said by the industrialist and co-founder of the software giant, Infosys, N.R. Narayan Murthy, "Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor partners, investors, employees, government and society." Be that as it may, there has been a significant divergence in the corporate governance standards at Infosys that led to a number of discussions and quarrel within and outside the organization. The current research paper mainly focuses its attention on assessing the outline of corporate governance at Infosys over years and changes in the standards of corporate governance after the departure of Narayan Murthy and entrance of Vishal Sikka as the first external CEO of the colossal organization. The paper also analyses the reasons for disparity between the severance pay to the top executives and employees in the organization. Lastly, it examines various pros and cons of current and future prospects of corporate governance to improve at Infosys.

KEYWORDS: *Infosys, Corporate Governance, Regulatory Framework, Severance Package.*

Introduction

Corporate Governance gained eminence in India after liberalization took place in 1990s and was initiated by the industry association Confederation of Indian Industry (CII), as a voluntary measure to be adopted by Indian companies. After this, corporate governance obtained a mandatory status in early 2000s with its introduction in Clause 49 of the Listing agreement wherein all the companies listed on stock exchanges were required to comply with these norms. Later on, in late 2009, the Ministry of Corporate Affairs (MCA) released a set of voluntary guidelines for corporate governance which addressed multitude issues in corporate governance. Furthermore, even after considering corporate governance as an essentially soft issue, it became difficult to differentiate between form& content to determine whether companies are actually internalizing the desired governance norms or they are contemplating corporate governance merely as a check-the-box exercise to be observed more in letter than in spirit.

Relating these prospects to the Indian IT sector, for the past few years, IT major Infosys has been in the news because of the raising concerns of the company's founders over transparency and corporate governance within the company. Since inception, the founding fathers have strived seemingly to make Infosys the best-governed company in India and on Nasdaq. The company also won several awards for good governance all over the world. However, since 2015, there has been a concerning drop in the standards of corporate governance at Infosys relating to huge severance pay to some of the departing employees, indulging into hush money activities to conceal unethical actions, etc. The main objective of the current research paper is to analyse various reasons for the fallout in corporate governance at Infosys and identify the future direction of the same along with some suggestions and conclusions.

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Objective

To develop an analytical hypothesis on how corporate governance has been a challenge to Infosys during the directorship of the first non-founder Chief Executive Officer (CEO), Vishal Sikka.

Philosophy of Corporate Governance at Infosys

Since its inception in the year 1981, Infosys has strived hard to become the best governed company in India and on Nasdaq. Also, the company won several awards for good corporate governance all over the world. The company, since its establishment, has considered corporate governance as an ethically driven business process that is committed to values aimed at enhancing an organization's wealth generating capacity. In order to gain and retain the trust of its stakeholders, the company adopted the philosophy to manage its affairs in a transparent and fair manner. In addition to this, over the years, the company board has developed corporate governance guidelines in order to fulfil their corporate responsibility towards their stakeholders. These guidelines ensure that the Board will have necessary authority and processes to review and evaluate the operations whenever required and thereby, make decisions that are independent of the management. Moreover, at Infosys, the Board of Directors is at the core of the corporate governance practice and oversees how the Management serves and protects the long-term interests of the stakeholders.

Outline of Shift in Corporate Governance at Infosys

From the day Infosys came into existence, N. R. Narayan Murthy, an iconic figure and the 'Father of Corporate Governance in India' has helped the company in setting high corporate governance standards. From this, we can say that, an important reason for the success story of Infosys lies in its strategy to pay significant attention to corporate governance. Also, the company gratified itself for taking several initiatives in the Indian context be it following the US GAAP, to value human resources and distribute audited reports on quarterly basis to the investors; offering stock options to all the qualified employees; disseminating all press releases on its websites, etc. As late as 2014, the company unveiled an upward trend in following its corporate governance standards, however, during the same period, the Indian Corporate world woke up with a big news of Infosys appointing its first non-founder chief executive officer, Vishal Sikka with N. R. Narayan Murthy and Mr. S. Gopalakrishnan voluntarily stepping down as Executive Chairman and Executive Vice Chairman respectively.

The appointment of Vishal Sikka as the new Chief Executive Officer gave Infosys a new turn with encouraging growth. While on one hand, the objective to revive the company from downfall and stagnation was being achieved, on the other hand, there were various concerns raised relating to declining corporate governance standards within the company. The first concern raised was related to a sudden growth in the operating profit margin which went up to 27.6 percent in December 2016 from 25 percent till June 2014.The second issue was related to the agreeableness of the Board to pay Rs 230.2 million as a severance pay to the former Chief Financial Officer (CFO), Rajiv Bansal and this aspect was correlated to the Panaya acquisition case. The third concern was associated with a sharp increase in Sikka's compensation which was considered to be the largest flash point. This resulted into a significant gulf between the compensation of top level executives and the salary of entry-level employees. The fourth concern was related to the sudden departure of Mr. David Kennedy as the General Counsel and his huge severance pay. Moreover, other issues included appointment of various independent directors, investigation reports, growth through acquisitions, etc that stemmed into a downfall in corporate governance standards at Infosys.

Varied Prospects of Downfall in Corporate Governance at Infosys

In this age of varied perceptions that are overriding facts most of the times, Infosys needs to do well to correct the perception that, it is no longer the bellwether of corporate governance in India. The company has always been known in taking the charge against governance malpractices & has appeared to favor shareholders' interests-far more than most of the other prominent India Inc members. Also, the founders of the company had always supported in setting high corporate governance standards since the inception of the organization. However, in the recent past, Infosys has been in the news as a result of the company's founders expressing their concerns over transparency and corporate governance.

There have been several aspects questioned relating to the compensation package of the Chief Executive Officer (CEO), Vishal Sikka; the severance package to its former chief compliance officer, David Kennedy; a huge severance package to its former Chief Financial Officer (CFO), Rajiv Bansal; questions raised on the acquisition of an Israel software company, Panaya; a severe botherance about how the company would achieve the $20 billion target by 2020 as set by Vishal Sikka, in an uncertain global environment, etc. Also, the founders of the company raised concern that the board should have been more proactive in questioning the decisions that were taken by the executive team of the company and also criticized the board for not making the investigation reports public related to the Panaya acquisition issue. As a result, the battle between the founders and the present board members at Infosys created a haunting situation in the corporate world. The biggest controversy was related to the aspect that the present board members were moving towards a culture of taking decisions on the basis of value judgment rather than adopting the procedures that were followed by the founders of the company.

Hence, a detailed analysis of the above-mentioned aspects needs to be done in order to answer the questions raised on the corporate governance standards of the company whose success story for years has not been built on its profits and revenues alone, but mainly due to high standards of corporate and ethical governance followed by the company. Be that as it may, an analytical study of these various facets would determine whether there has been any divergence from the corporate governance guidelines that the company needs to abide by.

Compensation & Severance Package Issue

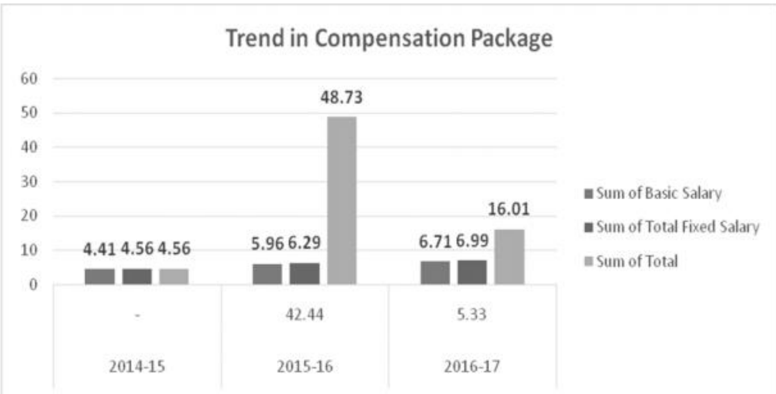
- **Trend in Vishal Sikka's compensation pay over three years**

In **crore except share data**

Year	Basic Salary	Retiral Benefits	Total Fixed Salary	Bonus/Incentives	Total	Stock options/RSUs	No. of Equity shares held
2014-15	4.41	0.15	4.56	-	4.56	[1]54,134	-
2015-16	5.96	0.33	6.29	42.44	48.73	[2]1,24,061	10,824
2016-17	6.71	0.28	6.99	[3]5.33	16.01	34,062	-

Refer Appendix A, Appendix B, Appendix C.

Since his appointment in August 2014, Vishal Sikka had mainly focused his attention towards automating the back-end operations and thereby, growing the company's portfolio by providing innovative offerings. Despite these efforts of staying relevant in the changing environment, his compensation package was questioned by the founders of the company since they were desperately seeking to safeguard the interests of the shareholders. The table above gave a glimpse of an increase in Vishal Sikka's compensation package and justifies the bases for raising doubts on such a huge hike in his remuneration.



1 On recommendation of the nomination and remuneration committee, Dr. Vishal Sikka was granted 54,134 RSUs (adjusted for bonus issue in December 2014) at an exercise price at par value.The RSUs will vest over a period of four years from the date of grant in the proportion specified in the award agreement.

2 On recommendation of the nomination and remuneration committee, during fiscal 2016, Dr. Vishal Sikka was granted RSUs valued at US $2 million on the grant date at an exercise price at par value. The RSUs will vest over a period of four years from the date of grant in the proportion specified in the award agreement.

3 Includes US $0.82 million (approximately ₹5.33 crore) as variable pay for fiscal 2017, as approved by the nomination & remuneration committee as on April 13, 2017.

The following points from the table and graph provides a rationale for a high increase in Vishal Sikka's salary;

- During the year 2014, Vishal Sikka got a salary of Rs. 4.56 crore whereby he was appointed as the CEO on June 14, 2014 and his salary for 2014-15 is for the period from June to March. However, according to the company's annual report, Vishal Sikka took home a salary of around Rs. 49 crores during the year 2015-16 including basic salary variable pay of Rs. 5.96 crore and RSUs granted to him valued at $2 million. This marked a 752 percent increase in salary for Sikka as compared to the year 2015.
- A significant point to note is that the widening difference between the CEO's pay and the median remuneration of employees (MRE) stood at a whopping 935.
- Despite that, Vishal Sikka's salary fell by 67 percent during 2016-17 as a result of lower bonus pay-out. The fall was however compensated by performance-based incentives in the form of RSUs worth Rs 12.9 crore ($2 million).
- Moreover, Sikka's pay during the fiscal year 2017 remained a whopping 283.07 times higher than the median remuneration employees (MRE) which stood at Rs. 5,65,585.

Infosys had long clutched the theory of 'compassionate capitalism' and prescribed that the proportion between the highest salary paid by the organization to any executive, and the organization's median pay, ought to be 50 to 60. In addition to this, in poor countries like India where capitalism is still aborning, it is the responsibility of the leaders of capitalism to ensure that the ratio between the compensation package of the CEO to the next lower level employee is less. However, Vishal Sikka's new salary package seemed to have crossed the ratio which displeased the co-founders of the company who raised questions on the chair of the nomination and remuneration committee and chair of the board members who supported the salary hike.

While relating these points to corporate governance, according to Bloomberg analysis, CEOs of Indian companies earn 229 times more than the average worker which is the second-biggest gap worldwide after the US ratio of 265.However, considering the compensation package of Sikka, the ratio has been 935 and 283 during the year 2015-16 and 2016-17 respectively. This facet depicted a wide disparity in compensation to top executives and the average employees which raised doubts towards corporate governance standards at Infosys concerning whether it is justifiable to have such a huge compensation gap between the top executives and average employees. Also, there were questions raised on the board members for accepting the compensation package of Mr. Sikka with such huge widening gap. Lastly, we can say that, although there are no rules that put any restrictions on the companies regarding how much more they want to pay their top executives vis-à-vis their average employee, SEBI regulations on disclosure of various remuneration ratios help the investors to know about the salary practices adopted by the companies they have invested in.

Huge Severance Pay to Some of the Departing Employees in Relation to Whistle blowing Approach

The corporate governance condition in India is regrettable and more importantly, how the Indian promoters act in the Corporate condition isn't toward a path to advance sound business practices. In the light of this aspect, some of the founders at Infosys, led by NR Narayan Murthy, raised questions on certain decisions taken by the company that were perceived to be questionable. The concerns were related to transparency and corporate governance being negatively hit at the company due to heavy severance package paid to its former Chief Financial Officer (CFO), Rajiv Bansal and Chief Compliance Officer, David Kennedy. In accordance to the objective of the current research paper, the analysis below shows how corporate governance standards declined at Infosys.

- **Case of Panaya Acquisition & Huge Severance Package to the Former Chief Financial Officer (CFO), Rajiv Bansal**

Infosys, in the year 2015, declared that it will spend $225 million for a little-known US-based firm, Panaya, that is a privately held organization upheld by funding firms like Benchmark Capital, Hasso Plattner Ventures and Battery Ventures. According to the then CEO, Vishal Sikka, the acquisition of Panaya was a key step in renewing and differentiating Infosys' service lines, bringing automation, mitigating risk, reducing cost and thereafter, shortening time to market for clients. Despite that, the former CFO, Rajiv Bansal felt that Infosys was paying too much and believed that Panaya acquisition would not offer much by way of value to Infosys. In a meeting when proposal for Panaya acquisition was made, Bansal excused himself from the vote, stood up & walked out. However, his reluctance did not stop Infosys from agreeing to pay $225 million to buy Panaya after which, Bansal eventually came around to accept the decision taken by Sikka and the Board. Below is the table showing Shareholding pattern of Panaya before it was acquired by Infosys:

SHAREHOLDING PATTERN OF PANAYA BEFORE IT WAS BOUGHT BY INFOSYS

Shareholder	Stake (in %)
BCPI I, LP	27.07
Battery Ventures VIII, LP	19.77
ESOP Reserved*	13.97
Israel Growth Partners, LP	12.31
Hasso Plattner Ventures II GMBH & Co. KG	8.33
Yossi Cohen	7.96
Gemini Israel IV LP	6.29
Total ESOP Exercised	3.13
SVB Financial Group	0.59
Kreos Capital IV (Expert Fund)	0.35
Vintage Venture Partners III (Cayman) LP	0.31
Hama Industrial Chemicals	0.14
Vintage Venture Partners III (Israel) LP	0.12
Gemini Partners Investors IV LP	0.06
Tmura (non-profit organization)	0.03

*Allocated and unallocated (excluding founder options)

Source: Mint research

During February, 2017, fresh questions got raised through an email which was purportedly written by an anonymous whistle-blower relating to the Panaya acquisition and was sent to senior executives of the Securities and Exchange Board of India (SEBI) questioning about why Infosys paid $225 million for Panaya even though the company had been valued at $162 million by Israel Growth Partners. Infosys had publicly disclosed that SAP's co-founder Hasso Plattner, where Sikka was a member of SAP's executive board before he joined Infosys, held about a 6 percent stake in Panaya.However, it can be noticed from the above figure that Plattner held 8.33 percent stake in the company and hence, as stated in the email which was sent by the whistle-blower, Plattner got richer by $17 million from the Panaya acquisition. The email also stated that Panaya investors took out $20 million from the organization, leaving Infosys to make a $20 million investment in working capital for Panaya, and in the long run spending a higher sum in purchasing the company. This was reflected in Infosys' annual report 2014-15, which pegged the obtaining expense of Panaya at $225 million.

These aspects resulted into allegations that Infosys board failed to pay attention to the governance issues involved while clearing the Panaya deal and that, Bansal's exit was linked to the differences over Panaya acquisition. Another important aspect relating to huge severance package to be paid to the former CFO, Rajiv Bansal, was publicly questioned by the co-founder, NR Narayan Murthy along with several analysts. The argument got even more acute when the board did not record the proceedings of an October 12, 2015 meeting where it discussed to pay Rs. 17.38 crore as severance to Bansal. This omission raised doubts on the decision-making by the Board and also questioned whether severance payments were being made as "hush money" to hide some information harmful to the company. However, the allegations were denied by the board believing that the question of putting on record Bansal's severance payment was a "housekeeping issue" and not a cause for concern.

Considering the above aspects, we can say that, although Infosys gave a clean chit to Panaya deal last year, there remains various questions unanswered relating to a set of deleted official emails involving Rajiv Bansal's severance payments as discovered by the top executives in the company's audit and finance department. Moreover, we may sum up by saying that,unless there is a clear news break of the Panaya test report, we need to simply fictionalize the viciousness over the corporate support paid to Bansal.

- **Issue of Departure of Mr. David Kennedy as General Counsel & His Severance Pay**

On 1st January 2017, Infosys informed the stock trades that Mr. David Kennedy, its General Counsel, and Chief Compliance Officer has left the organization after a mutual separation understanding amongst him and the organization. As a piece of the partition and his business understandings, Mr. Kennedy would get a severance package of USD 868,250 plus more repayments for COBRA (protection) continuation coverage over a time of 12 months. On 5th November 2014, Mr. Kennedy was appointed as the Executive Vice President and General Counsel of Infosys& on 13th October 2016, he was appointed as one of the 'Key Managerial Personnel' (KMP) of the organization by the Audit Committee of Infosys and thereby, his remuneration was revised on achievement of targets set by the company. The table below gives information about revised annual remuneration of Mr. David Kennedy;

Mr. David Kennedy's Revised Annual Remuneration w.e.f. 14th October, 2016		
Fixed Salary (USD)	**Variable Salary (USD)**	**Total Salary (USD)**
557,500	472,500	1,030,000

On achievement of targets set by the company

However, only within 2 months after his pay was revised, news came that Mr. Kennedy was departing from the company, which was surprising, whereby no reason of his departure was provided by the company. In the event that an employee willfully leaves from the organization, there is no rationale for paying a severance package by the organization. Additionally, in such cases, the representative needs to serve a notice period before leaving the organization. However, Mr. Kennedy was paid a severance pay despite of the fact that he didn't serve any notice period in the organization, which made it clear that his service was ended by Infosys. In addition to this, basis for calculation of severance pay was not disclosed to the shareholders who created a feeling of distrust amongst them. Furthermore, Infosys, in its yearly report, had stated that apart from Mr. Vishal Sikka, its Managing Director, no other executives are qualified for any severance pay. Be that as it may, no such revelation had been made with respect to key managerial personnel and other senior representatives of the organization and therefore, again some of the doubts remained unsolved. Moreover, such non-disclosures and hefty severance packages to the departing employees raised severe doubts on the corporate governance standards questioning whether the company is justified enough to be acknowledged as the best-governed company in India and on Nasdaq as endeavoured by the founders.

Conclusion

From the above research study, we may accept the hypothesis that corporate governance has been a challenge to Infosys in recent years during the directorship of Mr. Vishal Sikka (June 14,2014 to August 18, 2017). Although, after the appointment of Mr. Sikka as the new Chief Executive Officer (CEO) in the year 2014, there has been a revival in the company's performance in terms of revenue, customer satisfaction, opening of new frontiers, etc., however, there has been events that have transpired at Infosys in the recent years, as discussed above, which resulted into a downfall in the corporate governance standards at the company. As a result of this, there were crucial ramifications for the way corporate governance is shaped at professionally managed companies in the country.

Looking at the first issue which was related to Sikka's compensation package, it can be noticed that, on one hand, he successfully managed to bring about a major change in the work culture through various management initiatives; in a period of just one year, he fortuitously stabilized Infosys by building a strong senior management team, lowering attrition, improving employee morale and thereby, winning more business from existing clients. However, on the other hand, while making such positive efforts in reviving the company, the board members did not pay attention to corporate governance standards by unexpectedly hiking the remuneration package of Sikka which resulted into a widening gap in compensation between top executives and median employees. This gap led to severe doubts and questions raised by various co-founders of the company & brought to a head, tensions between the most important stakeholders at the company.

Secondly, talking about the issue on huge severance package of Rs. 17.38 crore (or 24 months of salary) to the former CFO, Rajiv Bansal, the company suspended the payments, after giving Rs. 5 crores, due to objections being raised from the co-founder, NR Narayan Murthy. However, the corporate governance principles were questioned when the board did not record the minutes of meeting in which it decided the severance pay of Rajiv Bansal and later on, gave the justification of 'housekeeping issue". Also, the severance pay given to the former chief compliance officer and Executive Vice President (EVP), David Kennedy, was questioned since within 2 months, after his remuneration was revised, he departed from the company without any prior notice. Also, reasons were asked for paying such generous severance to an executive who has been with the company for just two years. All these perspectives questioned whether the company is still appropriately following its corporate governance rules that the founders had been following since its inception.

Suggestions

Over years, Infosys has been satisfying the spirit of the law and not just the letter of the law by going beyond the jurisprudence in upholding corporate governance standards and by maintaining transparency with a high level of disclosure level. Yet, there are certain points of proposition that the company can undertake in order to overcome corporate governance gaps that have occurred in the past few years.

As a good governance practice, Infosys needs to make it as a policy to unveil the employment contracts of its Key Managerial Personnel (KMPs) as well as that of its Managing/Executive Directors to the shareholders. The employment agreements should also contain subtle elements of severance pays, if any. The company must also provide premise for the calculation of severance packages reason being, these severance pays are significant amounts and therefore, shareholders must be notified of such employment clauses well-in-advance at the time of appointment of directors and KMPs.

Also, the company needs to provide detailed reasons for abrupt departure of all the Key Managerial Personnel (KMPs) as well as directors, with the goal that inquiries are not brought up in the psyches of the investors about whether the company is keeping up its moral and corporate governance benchmarks intact or not.

In addition to the above-mentioned aspects, another issue which was observed was the lack of clarity relating to the roles that different stakeholders had to play within the company. As a result, problem arises when promoters overstep their roles and presume different responsibilities at different points of time. As a solution to this, the promoters must clearly demarcate their roles as executives, board members, and shareholders.

Lastly, the issues that are shrouded in the current research paper need to be tended to with some solid bases and not simple defences and with these lines, the organization must keep on upholding its corporate governance standards as endeavoured by the founders since the initiation of the organization.

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Appendix

Appendix A

Infosys Annual Report 2014-15 showing the remuneration paid to the directors for the year 2015.

Infosys Annual Report 2014-15

Remuneration paid to directors in fiscal 2015

in ₹ crore except share data

Name of the director	Fixed salary				Bonus / incentives	Commission	Total	Stock options / RSUs	No. of equity shares held
	Basic salary	Perquisites / Allowances	Retiral benefits	Total fixed salary					
Founders and whole-time directors								–	
Narayana Murthy [1]	–	–	–	–	–	–	–	–	43,59,344
S. Gopalakrishnan [2]	–	–	–	–	–	–	–	–	1,33,13,452
S. D. Shibulal [3]	–	–	–	–	–	–	–	–	49,39,422
Whole-time directors								–	
Dr. Vishal Sikka [4]	4.41	–	0.15	4.56	–	–	4.56	[10] 54,134	–
Srinath Batni [5]	0.19	0.44	0.03	0.66	1.22	–	1.88	–	10,89,694
B. G. Srinivas [6]	1.08	0.53	–	1.61	2.82	–	4.43	–	20,030
U. B. Pravin Rao	0.67	1.50	0.12	2.29	3.79	–	6.08	–	2,77,760
Independent directors								–	
K. V. Kamath	–	–	–	–	–	1.97	1.97	–	
Dr. Omkar Goswami [7]	–	–	–	–	–	0.61	0.61	–	15,800
R. Seshasayee	–	–	–	–	–	1.03	1.03	–	124
Ravi Venkatesan	–	–	–	–	–	0.84	0.84	–	–
Prof. Jeffrey S. Lehman	–	–	–	–	–	1.20	1.20	–	–
Carol M. Browner						0.85	0.85	–	–
Prof. John W. Etchemendy [8]						0.23	0.23	–	–
Roopa Kudva [9]	–	–	–	–	–	0.11	0.11	–	–
Kiran Mazumdar-Shaw	–	–	–	–	–	0.76	0.76	–	400

[1] For the period April 1, 2014 to October 10, 2014
[2] For the period April 1, 2014 to October 10, 2014
[3] For the period April 1, 2014 to July 31, 2014
[4] From the period June 14, 2014 to March 31, 2015
[5] For the period April 1, 2014 to July 31, 2014
[6] For the period April 1, 2014 to June 10, 2014
[7] For the period April 1, 2014 to December 31, 2014
[8] From the period December 04, 2014 to March 31, 2015
[9] From the period February 04, 2015 to March 31, 2015
[10] On recommendation of the nomination and remuneration committee, Dr. Vishal Sikka was granted 54,134 RSUs (adjusted for bonus issue in December 2014) at an exercise price at par value. The RSUs will vest over a period of four years from the date of the grant in the proportions specified in the award agreement.

Appendix B

Infosys Annual Report 2015-16 showing the remuneration paid to the directors for the year 2016.

Remuneration paid to directors in fiscal 2016

in ₹ crore except share data

Name of the director	Fixed salary				Bonus / incentives	Commission	Total	Stock options / RSUs	No. of equity shares held
	Basic salary	Perquisites / allowances	Retiral benefits	Total fixed salary					
Whole-time directors									
Dr. Vishal Sikka [1]	5.96	–	0.33	6.29	42.44	–	48.73	[5] 1,24,061	10,824
U. B. Pravin Rao	0.89	2.55	0.16	3.60	5.68	–	9.28	–	5,55,520
Independent directors									
R. Seshasayee	–	–	–	–	–	1.84	1.84	–	248
Carol M. Browner [2]	–	–	–	–	–	0.68	0.68	–	–
Prof. Jeffrey S. Lehman	–	–	–	–	–	1.33	1.33	–	–
Prof. John W. Etchemendy	–	–	–	–	–	1.05	1.05	–	–
K. V. Kamath [3]	–	–	–	–	–	0.39	0.39	–	–
Kiran Mazumdar-Shaw	–	–	–	–	–	0.87	0.87	–	800
Dr. Punita Kumar-Sinha [4]	–	–	–	–	–	0.20	0.20	–	–
Ravi Venkatesan	–	–	–	–	–	1.04	1.04	–	–
Roopa Kudva	–	–	–	–	–	0.99	0.99	–	–

Note: On accrual basis

[1] *Includes payment of variable pay amounting to ₹14 crore for the year ended March 31, 2015 to the CEO as decided by the nomination and remuneration committee in its meeting held on June 22, 2015, in line with the compensation plan approved by the shareholders. Further, includes provision for variable pay amounting to US $4.33 million (approximately ₹29 crore) for the year ended March 31, 2016 to the CEO. The shareholders in the EGM dated July 30, 2014 had approved a variable pay of US $4.18 million (approximately ₹28 crore at current exchange rate) at a target level and also authorized the Board to alter and vary the terms of remuneration. Accordingly, the Board, based on the recommendations of the nomination and remuneration committee approved on April 15, 2016, US $4.33 million (approximately ₹29 crore) as variable pay for the year ended March 31, 2016.*

[2] *For the period April 1, 2015 to June 5, 2015*

[3] *For the period April 1, 2015 to November 23, 2015*

[4] *For the period January 14, 2016 to March 31, 2016*

[5] *On recommendation of the nomination and remuneration committee, during fiscal 2016, Dr. Vishal Sikka was granted RSUs valued at US $2 million on the grant date at an exercise price at par value. The RSUs will vest over a period of four years from the date of grant in the proportions specified in the award agreement (Refer to Note 2.1 of the Standalone Financial Statements).*

Appendix C

Infosys Annual Report 2016-17 showing the remuneration paid to the directors for the year 2017.

Remuneration to directors in fiscal 2017

in ₹ crore

Name of the director	Fixed salary			Bonus / incentives	Perquisites on account of stock options [1]	Commission	Total
	Base salary	Retiral benefits	Total fixed salary				
Whole-time directors							
Dr. Vishal Sikka [3][4][5]	6.71	0.28	6.99	[2] 5.33	[1] 3.69	–	16.01
U. B. Pravin Rao [6]	4.00	0.18	4.18	3.62	–	–	7.80
Independent directors							
R. Seshasayee	–	–	–	–	–	1.95	1.95
Ravi Venkatesan	–	–	–	–	–	1.04	1.04
Prof. Jeffrey S. Lehman	–	–	–	–	–	1.37	1.37
Prof. John W. Etchemendy	–	–	–	–	–	1.10	1.10
Kiran Mazumdar-Shaw	–	–	–	–	–	0.89	0.89
Roopa Kudva	–	–	–	–	–	1.00	1.00
Dr. Punita Kumar-Sinha	–	–	–	–	–	1.22	1.22
D. N. Prahlad [7]	–	–	–	–	–	0.36	0.36

Notes: The details in the above table are on accrual basis.

For details on the number of equity shares held by the directors, refer to *Annexure 6* to the Board's report

[1] Remuneration includes only the perquisite value of stock incentives exercised during the period, determined in accordance with the provisions of the Income-tax Act, 1961. Accordingly, the value of stock incentives granted during the period is not included. During fiscal 2017, the CEO exercised 34,062 restricted stock units (RSUs).

[2] Includes US$0.82 million (approximately ₹5.33 crore) as variable pay for fiscal 2017, as approved by the nomination and remuneration committee on April 13, 2017.

[3] For fiscal 2017, 1,20,700 time-based RSUs amounting to US$2 million (approximately ₹13.42 crore) have been granted on August 1, 2016. These RSUs were issued in equity shares represented by ADSs.

[4] The Board, based on the recommendations of the nomination and remuneration committee, approved on April 13, 2017, performance-based equity and stock options for fiscal 2017, comprising 1,32,483 RSUs amounting to US$1.9 million (approximately ₹12.91 crore) and 3,30,525 ESOPs amounting to US$0.96 million (approximately ₹6.46 crore). These RSUs and ESOPs will be granted w.e.f. May 2, 2017.

[5] The Board, based on the recommendations of the nomination and remuneration committee, approved on April 13, 2017 the annual time-based vesting grant for fiscal 2018, comprising 1,37,741 RSUs amounting to US$2 million (approximately ₹12.97 crore). These RSUs will be granted w.e.f. May 2, 2017.

[6] On March 31, 2017, the shareholders vide a postal ballot approved a revision in the salary of U. B. Pravin Rao, COO and Whole-time Director, w.e.f. November 1, 2016. Based on the fiscal 2016 performance, the nomination and remuneration committee, in its meeting held on October 14, 2016, recommended a grant of 27,250 RSUs and 43,000 ESOPs, amounting to ₹4 crore to U. B. Pravin Rao, COO, under the 2015 Plan and the same was approved by the shareholders through a postal ballot on March 31, 2017. These RSUs and ESOPs will be granted w.e.f. May 2, 2017.

[7] For the period October 14, 2016 to March 31, 2017

Annexure D

Infosys Annual Report 2014-15 providing information on acquisition of Panaya Inc.

During the year, the Board of Directors ('the Board')reviewed the affairs of the subsidiaries. In accordance with Section 129(3) of the Companies Act, 2013, we have prepared consolidated financial statements of the Company and all its subsidiaries, which form part of the Annual Report. Further, a statement containing the salient features of the financial statement of our subsidiaries in the prescribed format AOC-1 is appended as *Annexure 1* to the *Board's report*. The statement also provides the details of performance, financial positions of each of the subsidiaries.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements, including the consolidated financial statements and related information of the Company and audited accounts of each of its subsidiaries, are available on our website www.infosys.com. These documents will also be available for inspection during business hours at our registered office in Bengaluru, India.

During the year, investments were made in the following subsidiaries / associate :

- Infosys Nova Holdings LLC : During the year, the Company incorporated a new subsidiary, Infosys Nova Holdings LLC ('Infosys Nova'), in the U.S., effective January 23, 2015. Subsequently, Infosys Nova acquired 20% of the equity interests in DWA Nova LLC, a company formed along with DreamWorks Animation (DWA), for a cash consideration of ₹94 crore. DWA Nova LLC will develop and commercialize image generation technology in order to provide end-to-end digital manufacturing capabilities to companies involved in the designing, manufacturing, marketing or distribution of physical consumer products.
- Panaya Inc. : On March 5, 2015, Infosys acquired 100% voting interests in Panaya Inc. ('Panaya'), a Delaware Corporation in the U.S., by entering into a share purchase agreement for a cash consideration of approximately ₹1,398 crore. Panaya is a leading provider of automation technology for large-scale enterprise and software management.
- EdgeVerve : Infosys established EdgeVerve Systems Limited in 2014, to help global corporations sense, influence, fulfill and serve the needs of digital consumers, and leverage the potential of their business ecosystems.

  On April 15, 2014, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with EdgeVerve, subject to securing the requisite approval from shareholders in the Annual General Meeting. Subsequently, at the Annual General Meeting held on June 14, 2014, the shareholders authorized the Board to enter into a Business Transfer Agreement and related documents with EdgeVerve, with effect from July 1, 2014 or such other date as may be decided by the Board. The Company has undertaken an enterprise valuation by an independent valuer and accordingly the business has been transferred for a consideration of ₹421 crore (US $70 million) with effect from July 1, 2014, settled through the issue of fully-paid-up equity shares.

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