

Infosys Limited

Disclosures pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014

SEBI vide its notification dated October 28, 2014 had issued the Securities and Exchange Board of India (Share-based Employee Benefits) Regulations, 2014 ('SEBI Regulations') which replaced the SEBI ESOP Guidelines, 1999.

Infosys Limited ('the Company') had a 2011 RSU Plan ('the 2011 Plan') which provided for the grant of restricted stock units (RSUs) to eligible employees of the Company. The 2011 Plan was (as explained below) was required to be amended and restated in accordance with the SEBI Regulations. Consequently, to effect this change and to further introduce stock options / ADRs and other stock incentives, the Company put forth the 2015 Stock Incentive Compensation Plan ('the 2015 Plan') for approval to the shareholders of the Company.

The 2015 Plan: Pursuant to the approval by the shareholders through a postal ballot which ended on March 31, 2016, the Board of Directors has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Plan. The maximum number of shares under the 2015 Plan shall not exceed 2,40,38,883 equity shares (this includes 1,12,23,576 equity shares which are currently held by the Infosys Limited Employees Welfare Trust ('the Trust') towards the 2011 Plan). 1,70,38,883 equity shares will be issued as RSUs at par value and 70,00,000 equity shares will be issued as stock options at market price. These instruments will vest over a period of four years and the Company expects to grant the instruments under the 2015 Plan over a period of four to seven years.

The 2011 RSU Plan: The Board of Directors recommended the establishment of the 2011 Plan, which provided for the grant of restricted stock units (RSUs) to eligible employees of the Company, to the shareholders on August 30, 2011 and the shareholders approved the recommendation of the Board of Directors on October 17, 2011 through a postal ballot. The maximum aggregate number of shares that may be awarded under the 2011 Plan was 1,13,34,400 and the 2011 Plan was expected to continue in effect for a term of 10 years from the date of initial grant under the plan. During the year ended March 31, 2015, the Company made a grant of 1,08,268 restricted stock units (adjusted for bonus issues) to Dr. Vishal Sikka, Chief Executive Officer and Managing Director. The Board, in its meeting held on June 22, 2015, on the recommendation of the nomination and remuneration committee, further granted 1,24,061 RSUs to Dr. Vishal Sikka. These RSUs are vesting over a period of four years from the date of the grant in the proportions specified in the award agreement. The RSUs will vest subject to achievement of certain key performance indicators as set forth in the award agreement for each applicable year of the vesting tranche and continued employment through each vesting date. Further, the Company has earmarked 1,00,000 equity shares for employee welfare activities approved by the shareholders through the postal ballot which ended on March 31, 2016. The equity shares currently held under this plan, i.e. 1,12,23,576 equity shares (this includes the aggregate number of equity shares that may be awarded under the 2011 Plan as reduced by 10,824 equity shares already exercised by Dr. Vishal Sikka and 1,00,000 equity shares which have been earmarked for welfare activities of the employees) have been subsumed under the 2015 Plan.

Further, the award granted to Dr. Vishal Sikka on June 22, 2015 was modified by the nomination and remuneration committee on April 14, 2016. There is no modification or change in the total number of RSUs granted or the vesting period (which is four years). The modifications relate to

the criteria of vesting for each of the years. Based on the modification, the first tranche of the RSUs will vest subject to achievement of certain key performance indicators for the year ended March 31, 2016. Subsequent vesting of RSUs for each of the remaining years would be subject to continued employment.

The Disclosures pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 are detailed under:

Sl. No.	Particulars	Status of compliance
1	The board of directors in their report shall disclose any material change in the scheme(s) and whether the scheme(s) is / are in compliance with the regulations.	Yes - Refer to the Board's Report, page 23 of the Annual Report
2	Further, the following details, <i>inter alia</i>, shall be disclosed on the company's website and a web-link thereto shall be provided in the report of board of directors.	
A	Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time.	Yes - Disclosed in Notes to Accounts - Note 2.1 to Standalone Financials 2015 -16, page 106 of the Annual Report
B	Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time	Yes - Disclosed in the Standalone Financials Statement of Profit and loss 2015 -16, page 100 of the Annual Report
C	Details related to ESOS / RSU	
(i)	A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS, including <u>2011 plan</u> (a) Date of shareholders' approval (b) Total number of options approved under ESOS (c) Vesting requirements	As detailed above October 17, 2011 1,13,34,400 equity shares (adjusted for Bonus issue)

	<p>(d) Exercise price or pricing formula</p> <p>(e) Maximum term of options granted</p> <p>(f) Source of shares (primary, secondary or combination)</p> <p>(g) Variation in terms of options</p> <p><u>2015 plan</u></p> <p>(a) Date of shareholders' approval</p> <p>(b) Total number of options approved under ESOS</p> <p>(c) Vesting requirements</p> <p>(d) Exercise price or pricing formula</p> <p>(e) Maximum term of options granted</p> <p>(f) Source of shares (primary, secondary or combination)</p> <p>(g) Variation in terms of options</p>	<p>Vesting of the RSUs will commence after a period of 12 months from the date of grant, subject to meeting or fulfilling the performance conditions as decided by the Board/ Administrator from time to time</p> <p>at par value</p> <p>The 2011 Plan was expected to continue in effect for a term of 10 years from the date of initial grant under the plan</p> <p>Primary shares</p> <p>Not applicable</p> <p>March 31, 2016</p> <p>2,40,38,883 equity shares (this includes shares which are currently held by the Trust towards the RSU 2011 Plan)</p> <p>These instruments will vest over a period of four years and the Company expects to grant the instruments under the 2015 Plan over a period of four to seven years</p> <p>The exercise price for the restricted stock units will be equal to the par value of the shares and the exercise price of stock options would be market price as on the date of the grant</p> <p>The option shall have a term not in excess of ten (10) years measured from the grant date;</p> <p>Restricted Stock Units have a limited period of time as set forth in the Award Agreement within which to exercise the Award</p>
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		Primary shares Not applicable.
(ii)	Method used to account for ESOS - Intrinsic or fair value.	2011 Plan - Intrinsic value 2015 Plan – Fair value
(iii)	Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	Details provided in Annexure I
(iv)	Option movement during the year (For each ESOS/ RSU):	
	2011 Plan	
	Number of options outstanding at the beginning of the period	1,08,268 (adjusted for bonus issue)
	Number of options granted during the year	1,24,061
	Number of options forfeited / lapsed during the year	Nil
	Number of options vested during the year	10,824
	Number of options exercised during the year	10,824
	Number of shares arising as a result of exercise of options	10,824
	Money realized by exercise of options (INR), if scheme is implemented directly by the company	Not Applicable
	Loan repaid by the Trust during the year from exercise price received	Not Applicable
	Number of options outstanding at the end of the year	2,21,505
	Number of options exercisable at the end of the year	Nil
	2015 Plan	Nil

v	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Details provided in Annexure I
vi	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to - (a) senior managerial personnel; (b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and (c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	(a) & (b) - Dr. Vishal Sikka, Chief Executive Officer & Managing Director Number of options granted during the year 2016 - 1,24,061 (c) Not applicable.
vii	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information: the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model; (b) the method used and the assumptions made to incorporate the effects of expected early exercise; (c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and (d) Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Details provided as Annexure 1

Annexure 1

The activity in the 2011 Plan during the years ended March 31, 2016 and March 31, 2015 is as follows:

Particulars	Year ended March 31, 2016		Year ended March 31, 2015	
	Shares arising out of options	Weighted average exercise price (Rs)	Shares arising out of options	Weighted average exercise price (Rs)
2011 Plan :				
Outstanding at the beginning	1,08,268	5	-	-
Granted *	1,24,061	5	1,08,268	5
Forfeited and expired	-	-	-	-
Exercised *	10,824	5	-	-
Outstanding at the end	2,21,505	5	1,08,268	5
Exercisable at the end	-	-	-	-

*Adjusted for bonus issues

The weighted average share price of options exercised under the 2011 Plan on the date of exercise was Rs. 1,088. The weighted average remaining contractual life of RSUs outstanding as of March 31, 2016 and March 31, 2015 under the 2011 Plan was 1.98 years and 2.39 years.

The differential on stock compensation expense if the fair value of the RSUs on the date of the grant were considered instead of the 'intrinsic value' is less than Rs. 1 crore for each of the years ended March 31, 2016 and March 31, 2015. Consequently, there is no impact on earnings per share. The fair value for the above impact analysis is estimated on the date of grant using the Black-Scholes-Merton model with the **following assumptions**:

Particulars	Options granted during fiscal	
	2016	2015
Grant date	22-Jun-15	21-Aug-14
Weighted average share price (Rs)*	1,024	3,549
Exercise price (Rs)*	5	5
Expected volatility (%)	28-36	30-37
Expected life of the option (years)	1-4	1-4
Expected dividends (%)	2.43	1.84
Risk-free interest rate (%)	7-8	8-9
Weighted average fair value as on grant date (Rs.)*	948	3,355

**Data for fiscal 2015 is not adjusted for bonus issues*

The expected term of an RSU is estimated based on the vesting term and contractual term of the RSU, as well as expected exercise behavior of the employee who receives the RSU. Expected volatility during the expected term of the RSU is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the RSU. During the year ended March 31, 2016, the Company recorded an employee compensation expense of Rs.7 crore in the Statement of Profit and Loss (Rs. 2 crore during the year ended March 31, 2015)

D. Details related to ESPS - Not issued during the FY ended March 31, 2016

E. Details related to SAR - Not issued during the FY ended March 31, 2016

F. Details related to GEBS / RBS - Not issued during the FY ended March 31, 2016

G. Details related to Trust

(i) General information on schemes

Sl. No.	Particulars	
1	Name of the Trust	Infosys Limited Employees Welfare Trust
2	Details of the Trustee(s)	Binod Rangadore Hampapur, Richard Lobo, Jayesh Dhanvantkumar Sanghrajka and Sunil Kumar Dhareshwar
3	Amount of loan disbursed by company / any company in the group, during the year	NIL
4	Amount of loan outstanding (repayable to company / any company in the group) as at the end of the year	NIL
5	Amount of loan, if any, taken from any other source for which company / any company in the group has provided any security or guarantee	NIL
6	Any other contribution made to the Trust during the year	NIL

(ii) Brief details of transactions in shares by the Trust

(a) Number of shares held at the beginning of the year- 56,67,200

(b) Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share - Nil (56,67,200 shares credited to the Trust on account of the Bonus Issues)

(c) Number of shares transferred to the employees / sold along with the purpose thereof - 10,824

(d) Number of shares held at the end of the year – 113,23,576 (a +b-c)

(iii) In case of secondary acquisition of shares by the Trust - NIL

Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which shareholders' approval was obtained
Held at the beginning of the year	NIL
Acquired during the year	
Sold during the year	
Transferred to the employees during the year	
Held at the end of the year	
