

CHAIRMAN'S SPEECH



R. Seshasayee

Chairman of the Board and
Independent Director

Dear Shareholders,

Welcome to the 36th Annual General Meeting of Infosys. On behalf of the Infosys Board of Directors, I thank you for joining us today. Your presence is indeed a true testimony to your involvement with, and support for the Company.

During fiscal 2017, a period of profound economic and political change, we continued to build our capabilities – people, services and software – to serve our clients and grow the value we deliver to them. Our revenues crossed 10 billion, at 10,208 million in U.S. dollar terms, and grew 9.7% to 68,484 crore in INR terms; 8.3% in constant currency terms. This is the second highest revenue growth recorded amongst our large peers. Even after having made strategic investments, our operating margin has been resilient and healthy at 24.7%. Cash generated by operating activities during the year was robust and exceeded 2 billion in U.S. dollar terms – a new high for us and one of the healthiest in the industry.

We paid an interim dividend of ₹11/- per share in October 2016. The directors recommend a final dividend of ₹14.75 per share for the year ending March 31, 2017. This represents 49.6% of consolidated FY17 post-tax profits.

Dear members, we are at a defining moment in the history of the IT industry. We are at the cusp of the fourth industrial revolution, with all the prospects for human advancement, and new business opportunities that it promises. The rapid digitization of everything around us is disrupting entire industries in an irreversible and profound way. And the opportunity for us, as this revolution accelerates, is two-fold. First, to bring automation and software-led efficiencies to the core of our traditional services, whilst rapidly learning to imbibe new technologies and innovation. Second, to do the same for our clients as we partner with them through their digital transformation. This means helping bring technology-enabled efficiencies to their problem-solving, and freeing them to find new opportunities to create even greater value, that software can then deliver for them.

And this is exactly what the Infosys Management team, led by CEO Vishal Sikka, has strived to do over the past three years. Our endeavor is to deliver our traditional services through a 'people plus software model', so that our engineers can focus on higher-value work and on innovating for our clients. In tandem with these improvements, we have launched a whole new suite of services to help our clients gain ground in areas like mainframe modernization, cloud applications and infrastructure, cybersecurity and internet of things. In addition to new services, our new software portfolio, including Infosys Nia™, Edge, Panaya and Skava is also gaining momentum and helping the business drive higher per capita revenue. The next step is to exploit new opportunities through scaling up, by moving talent and investments into these emerging growth areas.

As we aim to balance the strategic and operational needs of the Company, we are also committed to enhancing shareholder return. The Board periodically reviews the capital allocation policy of the Company that is in the best interest of all shareholders. The Company reiterates its commitment to execute the capital allocation policy announced on April 13, 2017 in a timely manner. As envisaged in the capital allocation policy, the Company has identified an amount of up to ₹13,000 crore (US\$ 2 billion) to be paid out to shareholders during fiscal year 2018. As the Company has a large global shareholder base and is listed in multiple countries, the manner of distribution to shareholders requires compliances under laws of several jurisdictions. We are in the process of finalizing a distribution mechanism that complies with the applicable regulatory requirements, in the best interest of all shareholders.

While the progress we've made in the business is encouraging, navigating through 2017 has not been without challenges posed by the external environment. Growing commoditization of our traditional business, rapidly spreading protectionism, and escalating demand from clients for more value for their technology investments, have all combined to make the business environment extremely challenging. Our strategy had to quickly evolve to respond to changing dynamics in the marketplace, and our execution had to be elevated to a higher level of efficiency. We realized that in this task, the Management would be better supported through a more engaged and a fully aligned Board. We have instituted a Committee of Directors, to closely monitor execution and enhance alignment between the Board and the Management in strategic responses to changing market situations.

There were also challenges which were specific to your Company. During the last 18 months or so, there has been intense criticism levelled against the Board and the Management, alleging certain governance lapses.

Executive Leadership Compensation was an issue that dominated the narrative on governance. Although the CEO compensation revision that was effected in April 2016, was implemented only after all necessary disclosures and after 98.7% of shareholders voted in favor, and the COO's compensation was effected only after 67% voted in favor, in the aftermath of criticism, the Board introspected and recognized that our communication on this matter could have been better. The Board has, in the spirit of further transparency, released a document, explaining in detail, the policy on Executive Compensation, the key performance indicators for variable pay and related matters on the Company's website. This has also been referred to in our Annual Report. This is the first time that Infosys has outlined a policy on Executive Leadership Compensation in such great detail.

While designing the revised Executive Leadership Compensation structure, we were also acutely aware of the market reality where the compensation spread between top management and the larger employee base has continued to widen. This unfortunately also gets mirrored in our business, as we compete for global talent. To partially redress this growing disparity, the Executive Leadership Compensation has been restructured from a predominantly cash-based structure to a total rewards structure with a high variability linked to Company performance. A significant portion of the variable rewards is in the form of stock incentives directly linked to long term shareholder value creation.

The second issue that was widely commented upon was the severance pay agreed to be paid to Rajiv Bansal, former CFO in October 2015. For the record, out of the total severance amount payable of ₹ 17.37 crore, the amount actually paid to Rajiv Bansal amounted to ₹ 5.2 crore. The claim for the balance amount of ₹ 12.17 crore, is under arbitration and the Company has disputed the same. The Company had received an anonymous letter, making allegations of impropriety around this matter in June 2016. The Board retained an external law firm to investigate this matter, and they found the allegations of hush money to be baseless.

Despite this, unfortunately, the allegations continued. There were two more anonymous complaints sent to SEBI in February 2017 which, once again, contained serious allegations relating to the same subject as well as other matters. Although the complaints were anonymous and contained no evidence, consistent with the Board's commitment to good governance, the Audit Committee thoroughly investigated the matter. The Audit Committee hired this time Gibson Dunn & Crutcher, an independent international law firm, and Control Risks, an independent forensic accounting consultant, to conduct a thorough investigation involving review of thousands of emails and interviews of dozens of people. This investigation is now complete and the independent investigators have reported that the earlier investigation was thorough and its findings were supported by credible evidence. They also found no evidence to support the other allegations made by the anonymous whistleblower. We have thus had multiple professional firms conduct multiple investigations and they have unequivocally all ended in the same result – that the Company had engaged in no wrongdoing. Unfortunately, the allegations garnered disproportionate scrutiny and attention. These baseless, malicious and anonymous allegations have been draining and grossly unfair to the individuals.

The Company has already released a detailed statement on the findings of this investigation on its website.

We, in the Board, earnestly believe that it is our duty to listen to every shareholder, introspect and further improve our performance or take corrective actions. When comments are made by the Founders, we consider them even more seriously and respectfully, as we all recognize that we are but Trustees of an extraordinary institution that has been the result of the labor, foresight and genius of an extraordinary group of Founders. The Board has continuously engaged with all major investors, in particular with the Founders, and we will continue to do so.

I should note that the Board's relationship with the Founders is often the subject of certain inaccurate media reports. For example, some recent reports suggest that the Board added a risk factor in its Form-20F filing in June-17 only to send a veiled message to the Founders. This is not true, as this risk factor was inserted as per applicable law. When the Board communicates with the Founders, it does so directly, cordially and respectfully.

Any inadvertent pain that such inaccurate interpretation in the media might have caused, is sincerely regretted.

Amidst all this, we have single-mindedly focused on being a responsible corporate citizen. We continue to seek to make a tangible positive difference to the communities we live and work in. The Infosys Foundation, the Infosys Foundation USA and the Infosys Science Foundation serve as powerful instruments to help realize our aspirations beyond business. I am grateful to the deeply committed trustees of the Infosys Foundation, Infosys Foundation USA and the trustees and jury chairs of the Infosys Science Foundation for bringing their hearts and minds to drive the enduring success of these purposeful programs.

It is in human nature to wonder about the natural world around us. The wonders of nature unfailingly fascinate me. One of the transformations that I find mesmerizing is the cycle of life of the butterfly. Its metamorphosis from caterpillar is made during the seemingly quiet but intensely active pupa stage, when the caterpillar's former state is reimagined, in a flurry of events, under the cover of the chrysalis into something beautifully different, and yet coded from the very same original DNA. This often serves as a metaphor for me to think about the nature, the intensity, the complexity and the beauty of our own transformation from the existing models towards the new opportunities. From the Infosys of yesterday to the Infosys of tomorrow, and the future. More than 200,000 very talented Infosians have embraced the choice to commit to this transformation. If you could see them at work, like I do many times, you would appreciate their perseverance, their ability to grow tougher when the going gets tough and their extraordinary strength of character.

Dear members, as I have said earlier, we are undertaking three transformations simultaneously in your Company to secure a sustainable and secure future: one, the business transformation from a traditional IT services Company to an innovation-led, software plus services Company, which is formidable enough; second, the cultural transformation that comes along when you induct global leadership talent; and third, the rather abrupt transition from the Promoter-led Board and Management to an independent Board. None of these is easy. Other players in the industry might have one or the other, but not all three.

The Management and the Board commit to you to further accelerate our efforts to navigate the Company through these daunting changes and deliver performance, worthy of its proud heritage.

Finally, as this will be my last AGM, before I retire upon reaching the age of seventy in May 2018, I want to thank the Founders, my colleagues on the Board and all the shareholders for giving me the great privilege of serving this Company, at an extremely critical time during its transformation journey. I have had unstinted support from my colleagues on the Board and the Management and I am truly grateful to them for reposing confidence in my leadership in these challenging times.

During the remaining part of my tenure, I would be committed to further enhancing governance standards, to improving shareholder value and to planning a smooth transition to my successor.

I wish to express my deepest gratitude to our Founders, Partners, Clients and Governments of the several countries and states that we operate in, for their guidance, advice and support. It's their goodwill that renews our belief in ourselves and our potential to be more.

Thank you,



R. Seshasayee
Chairman of the Board and
Independent Director