

BEING **INFOSYS**. BEING **MORE**.



ANNUAL REPORT 2015-16

Board's report

Dear members,

The Board of Directors hereby submits the report of the business and operations of your Company ('the Company' or 'Infosys'), along with the audited financial statements, for the financial year ended March 31, 2016. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

1. Results of our operations

in ₹ crore, except per equity share data

Particulars	Standalone		Consolidated	
	2016	2015	2016	2015
Income from software services and products	53,983	47,300	62,441	53,319
Software development expenses	32,255	27,828	37,609	31,834
Gross profit	21,728	19,472	24,832	21,485
Selling and marketing expenses	2,694	2,549	3,431	2,946
General and administration expenses	3,271	2,961	4,281	3,668
Operating profit before depreciation	15,763	13,962	17,120	14,871
Depreciation and amortization	1,115	913	1,266	1,017
Operating profit	14,648	13,049	15,854	13,854
Other income	3,009	3,337	3,128	3,430
Profit before exceptional item and tax	17,657	16,386	18,982	17,284
Profit on transfer of business ⁽¹⁾	3,036	412	–	–
Profit before tax	20,693	16,798	18,982	17,284
Tax expense	4,907	4,634	5,301	4,911
Profit before minority interest and share in net profit / (loss) of associate	15,786	12,164	13,681	12,373
Share in net profit / (loss) of associate	–	–	(3)	(1)
Profit for the year	15,786	12,164	13,678	12,372
Surplus – opening balance	35,152	30,392	36,483	31,453
Dividend eliminated on consolidation of trust	–	–	28	21
Transfer from Special Economic Zone Re-investment Reserve on utilization ⁽²⁾	591	–	591	–
Deconsolidation of trust ⁽³⁾	–	(42)	–	–
Amount available for appropriation	51,529	42,514	50,780	43,846
Dividend				
Interim	2,297	1,723	2,297	1,723
Final	3,273	3,388	3,273	3,388
Total dividend	5,570	5,111	5,570	5,111
Dividend tax	1,134	1,034	1,134	1,034
Amount transferred to general reserve	1,579	1,217	1,579	1,217
Amount transferred to other reserve ⁽⁴⁾	–	–	1	1
Amount transferred to Special Economic Zone Re-investment Reserve ⁽²⁾	591	–	591	–
Surplus – closing balance	42,655	35,152	41,905	36,483
Earnings per share (EPS) before exceptional item ⁽⁵⁾⁽⁶⁾				
Basic	55.51	51.17	59.85	54.13
Diluted	55.51	51.17	59.84	54.13
EPS after exceptional item ⁽⁵⁾⁽⁶⁾				
Basic	68.73	52.96	59.85	54.13
Diluted	68.73	52.96	59.84	54.13

Notes: The above figures are extracted from the standalone and consolidated financial statements as per Indian Generally Accepted Accounting Principles (GAAP).

1 crore = 10 million

⁽¹⁾ On April 24, 2015, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with EdgeVerve Systems Limited (EdgeVerve), to transfer the business of Finacl and Edge Services. Based on an enterprise valuation done by an independent valuer, the business was transferred for a consideration of ₹3,222 crore and ₹177 crore for Finacl and Edge Services, respectively. Net assets amounting to ₹363 crore (including working capital amounting to ₹337 crore) have been transferred and accordingly a gain of ₹3,036 crore has been recorded as an exceptional item.

During the year ended March 31, 2015, based on an enterprise valuation done by an independent valuer, the business was transferred for a consideration of ₹421 crore with effect from July 1, 2014. Net assets amounting to ₹9 crore have also been transferred and accordingly a gain of ₹412 crore has been recorded as an exceptional item.

The transfer of assets and liabilities has been accounted for at carrying values and does not have any impact on the consolidated financial statements.

⁽²⁾ The Special Economic Zone (SEZ) Re-investment Reserve has been created out of the profit of eligible SEZ units in terms of the provisions of Section 10AA(1)(ii) of the Income-tax Act, 1961. The reserve should be utilized by the Company for acquiring new plant and machinery for the purpose of its business in the terms of the Section 10AA(2) of the Income-tax Act, 1961.

⁽³⁾ Effective January 1, 2015, the Infosys Limited Employees' Welfare Trust ('the Trust') has been deconsolidated consequent to SEBI (Share Based Employee Benefits) Regulations, 2014 issued on October 28, 2014.

⁽⁴⁾ Under the Swiss Code of Obligation, a few Infosys Consulting Holding AG (formerly Lodestone Holding AG) subsidiaries are required to appropriate 5% of the annual profit to legal reserve until this equals 20% of the paid-up share capital. To the extent it does not exceed one half of the share capital, the general reserve may be used only to cover losses or for measures designed to sustain the Company through difficult times, to prevent unemployment or to mitigate its consequences.

⁽⁵⁾ Equity shares are at par value of ₹5 per share.

⁽⁶⁾ The Company has allotted 1,14,84,72,332 fully-paid-up equity shares of face value of ₹5 each in June 2015, and 57,42,36,136 fully-paid-up equity shares were allotted on December 2014, pursuant to a bonus issue approved by the shareholders. For the bonus issue, a bonus share of one equity share for every equity share held, and a stock dividend of one American Depositary Share (ADS) for every ADS held, respectively, has been allotted. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder remains unchanged. Earnings per share (EPS) of the previous year has been adjusted for the bonus issue, in accordance with Accounting Standard (AS) 20 – Earnings Per Share.

Revenues – standalone

Our total income on a standalone basis increased to ₹53,983 crore from ₹47,300 crore in the previous year, at a growth rate of 14.1%. Our software export revenues aggregated to ₹52,709 crore, up by 14.6% from ₹45,993 crore in the previous year. Out of the total revenue, 66.0% came from North America, 21.8% from Europe, 2.4% from India and 9.8% from the Rest of the World. On a standalone basis, our share of revenues from all parts of the world outside North America has decreased to 34.0% in the current year from 36.0% in the previous year.

Revenues – consolidated

Our total income on a consolidated basis increased to ₹62,441 crore from ₹53,319 crore in the previous year, at a growth rate of 17.1%. Our software export revenues aggregated to ₹60,818 crore, up by 16.9% from ₹52,035 crore in the previous year. Out of the total revenue, 62.7% came from North America, 23.0% from Europe, 2.6% from India, and 11.7% from the Rest of the World. On a consolidated basis, our share of revenues from all parts of the world outside North America decreased to 37.3% in the current year from 38.5% in the previous year.

Profits – standalone

Our gross profit on a standalone basis amounted to ₹21,728 crore (40.2% of revenue), as against ₹19,472 crore (41.2% of revenue) in the previous year. Sales and marketing costs were 5.0% of our revenue for the year ended March 31, 2016 as compared to 5.4% for the year ended March 31, 2015. General and administration expenses were 6.1% and 6.3% of our revenues during the current year and previous year, respectively. The operating profit before depreciation amounted to ₹15,763 crore (29.2% of revenue), as against ₹13,962 crore (29.5% of revenue) in the previous year. The profit before exceptional item and tax was ₹17,657 crore (32.7% of revenue), as against ₹16,386 crore (34.7% of revenue) in the previous year. Net profit was ₹15,786 crore (29.2% of revenue), as against ₹12,164 crore (25.8% of revenue) in the previous year.

Profits – consolidated

Our gross profit on a consolidated basis amounted to ₹24,832 crore (39.8% of revenue), as against ₹21,485 crore (40.3% of revenue) in the previous year. Sales and marketing costs were 5.5% of our revenue for the years ended March 31, 2016 and March 31, 2015. General and administration expenses were 6.9% of our revenues each during the current year and previous year. The operating profit before depreciation amounted to ₹17,120 crore (27.4% of revenue), as against ₹14,871 crore (27.9% of revenue) in the previous year. The profit before tax was ₹18,982 crore (30.4% of revenue), as against ₹17,284 crore (32.4% of revenue) in the previous year. Net profit was ₹13,678 crore (21.9% of revenue), as against ₹12,372 crore (23.2% of revenue) in the previous year.

Capital expenditure on tangible assets – standalone

This year, on a standalone basis, we capitalized ₹2,163 crore. This comprises ₹945 crore for investment in computer equipment, ₹5 crore on vehicles and the balance of ₹1,213 crore on infrastructure. In the previous year, we capitalized ₹2,540 crore. This comprised ₹694 crore for investment in computer equipment, ₹3 crore on vehicles and the balance of ₹1,843 crore on infrastructure.

Capital expenditure on tangible assets – consolidated

On a consolidated basis, we capitalized ₹2,379 crore including certain assets having gross book value of ₹4 crore taken over on acquisitions during the year. During the current year, ₹1,105 crore has been invested in computer equipment, ₹6 crore on vehicles, and the balance of ₹1,268 crore on infrastructure.

In the previous year, we capitalized ₹2,673 crore including assets having gross book value of ₹22 crore taken over on an acquisition.

During the year, ₹778 crore has been invested in computer equipment, ₹6 crore on vehicles, and the balance of ₹1,889 crore in infrastructure.

Liquidity

We continue to be debt-free and maintain sufficient cash to meet our strategic objectives. We understand that liquidity in the Balance Sheet has to balance between earning adequate returns and the need to cover financial and business risks. Liquidity enables us to make a rapid shift in direction, if there is a market demand. We believe that our working capital is sufficient to meet our current requirements. As on March 31, 2016, on a standalone basis, we had liquid assets of ₹30,711 crore, as against ₹29,705 crore at the previous year-end. On a consolidated basis, we had liquid assets of ₹34,371 crore at the current year-end, as against ₹32,543 crore at the previous year-end. These funds comprise deposits with banks and highly rated financial institutions, liquid mutual funds, fixed maturity plans, tax-free bonds and government bonds. The details of the tax-free bonds and government bonds are disclosed under the 'non-current and current investments' section in the financial statements in this Annual Report.

Appropriations

Dividend

The Board, in its meeting held on October 12, 2015, declared an interim dividend of ₹10 per equity share. Further, the Board, in its meeting held on April 15, 2016, has recommended a final dividend of ₹14.25 per equity share for the financial year ended March 31, 2016. The proposal is subject to the approval of shareholders at the ensuing Annual General Meeting to be held on June 18, 2016. The total dividend appropriation (excluding dividend tax) for the current year is ₹5,570 crore, as against ₹5,111 crore in the previous year. Dividend (including dividend tax) as a percentage of consolidated net profit after tax is 49.7%, as compared to 49.8% in the previous year.

The Register of Members and Share Transfer Books will remain closed on June 11, 2016 for the purpose of payment of the final dividend for the financial year ended March 31, 2016, and the Annual General Meeting. The Annual General Meeting is scheduled to be held on June 18, 2016.

Bonus shares

The Company has allotted 1,14,84,72,332 fully-paid-up equity shares of face value ₹5 each in June 2015 to the shareholders of the Company in proportion of 1:1 and consequently, the number of shares increased from 1,14,84,72,332 to 2,29,69,44,664.

The Company allotted 57,42,36,166 fully-paid-up equity shares of face value ₹5 each in December 2014 to the shareholders of the Company in proportion of 1:1 and consequently, the number of shares increased from 57,42,36,166 to 1,14,84,72,332.

Particulars of loans, guarantees or investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the Notes to the financial statements provided in this Annual Report.

Transfer to reserves

We propose to transfer ₹1,579 crore to the general reserve on account of declaration of dividend. An amount of ₹42,655 crore is proposed to be retained in the surplus at the standalone level.

Fixed deposits

We have not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

Particulars of contracts or arrangements made with related parties

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, in the prescribed Form AOC-2, is appended as Annexure 2 to the Board's report.

Material changes and commitments affecting financial position between the end of the financial year and date of the report

The shareholders have approved the following resolutions through a postal ballot concluded on March 31, 2016:

- 2015 Stock Incentive Compensation Plan and grant of stock incentives to eligible employees of the Company under the Plan
- 2015 Stock Incentive Compensation Plan and grant of stock incentives to eligible employees of the Company's subsidiaries under the Plan
- Re-appointment of Prof. Jeffrey S. Lehman, as an Independent Director
- Appointment of Dr. Punita Kumar-Sinha, as an Independent Director
- Re-appointment of Dr. Vishal Sikka, Chief Executive Officer and Managing Director, on the following terms and conditions:
 - Base pay: An annual base salary of US \$1,000,000 to be paid in accordance with the Company's normal practices and subject to withholding taxes;
 - Variable pay: Annual performance-based variable pay at a target level of US \$3,000,000 less applicable tax and subject to the Company's achievement of fiscal year performance targets set by the Board as described in the postal ballot;
 - Stock compensation: Eligible to receive an annual grant of 1) US \$2,000,000 of fair value in RSUs which vest over time ('time-based RSUs'), subject to continued service, and 2) US \$5,000,000 in performance-based equity and stock options upon achievement of certain performance targets as described in the postal ballot;
 - Employee benefits and paid vacation as applicable to other whole-time directors of the Company;
 - Minimum and maximum remuneration: Should Dr. Sikka fail to achieve minimum performance targets, his remuneration as proposed will fall to US \$3,000,000 annually, consisting of US \$1,000,000 of base salary and US \$2,000,000 of time-based RSUs. If Dr. Sikka's performance targets are exceeded, the performance-based payments for variable components of his compensation (variable pay and performance equity) will be capped at 150% of the target compensation for such variable components.

The details of the postal ballot result are provided in the *Corporate governance report* which forms part of this Annual Report.

Variation in market capitalization

	As at March 31,		Increase / (decrease) in %
	2016	2015	
Market capitalization (in ₹ crore)	2,79,837	2,54,771	9.8
Price earnings ratio ⁽¹⁾	20.4	20.5	(0.5)
Percentage increase in the market price of shares in comparison with the last public offer price ⁽²⁾			6,56,600

Notes: Data based on share prices quoted on NSE

⁽¹⁾ Based on consolidated Indian GAAP financial statements

⁽²⁾ Last public offer price in India has been adjusted for bonus issues and stock split.

Management's discussion and analysis

In terms of the provisions of Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management's discussion and analysis is set out in this Annual Report.

2. Business

Strategy

Our strategic objective is to build a sustainable organization that remains relevant to the agenda of our clients, while generating profitable growth for our investors. In order to do this, we will apply the priorities of 'renew' and 'new' to our own business and cascade it to everything we do.

These translate to the following strategic focus areas:

Build expansive, lasting relationships with our clients by delivering differentiated market offerings: Our strategy is to engage with clients on their large transformative programs, both in traditional IT areas as well as for their new digital business initiatives. We expand existing client relationships by providing them with a broad set of end-to-end service offerings and increase the size, nature and number of projects we do with them. Our specific industry, domain, process, and technology expertise allows us to enable clients to transform their businesses with innovative strategies and solutions. Through our transformation service offering, which we call 'Aikidō', we help our clients address key aspects of their business. Our 'Ai' offering, a result of our investments in building intellectual property, helps clients leverage software-based platforms to dramatically boost productivity and to deliver next-generation experiences to their customers. Our 'Ki' offering captures the know-how of existing client technology landscapes, which we then leverage for process improvements and transformation. With our 'Dō' offering, which incorporates Design Thinking concepts, we help clients identify and prioritize their most significant problems and solve them in rapid, iterative and innovative ways. We offer an end-to-end suite of high-quality, highly-responsive and innovation-led services spanning business consulting, IT services, software platform-based services and business process management. This enables us to partner with our clients on large, multi-year engagements.

Through our Zero Distance program, we help our clients innovate and derive more value from their projects. Zero Distance is the process of everyday innovation at Infosys whereby all employees are expected to innovate in their individual capacities and through their individual jobs. Zero Distance has a three-fold emphasis: to reduce the gap between us and the code we write, the gap between us and our clients, and the gap between us and the ultimate end-user.

We also plan to acquire new clients and increase our presence in new geographies and market segments by investing in targeted business development and marketing. We will position our brand as differentiated, global and respected.

Deliver solutions and services leveraging highly cost-effective models: Our strategy is to leverage software-based automation and our Global Delivery Model to deliver solutions and services to our clients in the most cost-effective manner, while at the same time optimizing our cost structure to remain competitive. We are embracing artificial intelligence-based automation techniques and software automation platforms to boost productivity of our projects. We are leveraging software process engineering and collaboration technologies to improve process productivity.

Our Global Delivery Model provides scale, quality, expertise, cost and time-to-market advantages to our client projects. The model enables us to work at the location where the best talent is available and where it makes the best economic sense with the least amount of acceptable risk. Over the last 30 years, we have developed our distributed execution capabilities to deliver high-quality and scalable services. This scalable infrastructure complements our ability to deliver project components that are executed round the clock and across time zones, enabling us to reduce project delivery times.

Enhance our operational processes for agility and optimal cost: We periodically assess the effectiveness of our organization structure and processes to optimize it for alignment with our strategic objectives

and agility. We continually evaluate critical cross-functional processes and benchmark them with best-in-class practices to optimize costs and enable swift and effective response to our clients. We constantly monitor and optimize various operational parameters such as the cost and utilization of resources, distribution of employees around the world, cost of operating our campuses and whether we are optimally realizing the efficiencies of scale.

Last year, we launched our Zero Bench program. This program allows us to effectively deploy our un-utilized resources into internal projects. Zero Bench enables employees to fulfill their professional aspirations while at the same time helping us to improve our employee engagement and our operational efficiency.

Attract and retain a global, diverse, motivated and high-performing employee base: Our employees are our biggest assets. To meet the evolving needs of our clients, our priority is to attract and engage the best talent in the right locations with the right skills. We offer our employees challenging work assignments, benchmarked compensation and a collaborative, productive work environment. Our performance management system is objective and rewards performance. We invest substantially in employee engagement to motivate employees and encourage social communication and collaboration.

Teaching and learning are central to the Infosys culture. Our investments in our Global Education Center and in creating various learning opportunities for our employees help them stay abreast of new developments in software technologies, spur innovation and build a lifelong career at Infosys.

We are guided by our value system which motivates our attitudes and actions. Our core values are Client value, Leadership by example, Integrity and transparency, Fairness and Excellence (C-LIFE).

Pursue strategic alliances and acquisitions: We leverage alliances that complement our core competencies. We partner with leading technology software and hardware providers in creating, deploying, integrating and operating business solutions for our clients. We have also expanded the scope of our collaborations to encompass universities and research organizations.

We will deploy our capital in making selective business acquisitions that augment our expertise, complement our presence in certain market segments and accelerate the execution of our strategies.

We have an innovation fund with an outlay of US\$500 million to tap into innovation networks of early-stage companies and universities to gain access to new thinking and business models.

Organization

Our go-to-market business units are organized as follows:

- Financial Services
- Manufacturing
- Retail, CPG and Logistics
- Energy, Utilities, Communications and Services
- Hi-tech
- Life Sciences, Healthcare and Insurance
- China
- Japan
- India
- Infosys Public Services

Our service delivery is organized as horizontal centers of excellence:

- Infosys Global Consulting
- Global Delivery
 - Enterprise Solutions
 - Infosys Digital
 - Enterprise Mobility
 - Application Development Services
 - Application Management Services
 - Application Modernization Services
 - Independent Validation Solutions
 - Data and Analytics

- Engineering Services
- Cloud and Infrastructure Services
- Infosys Center for Emerging Technology Solutions
- Products
 - Finacle®
 - EdgeVerve
- Platforms
 - Panaya
- Skava
- Infosys BPO

Client base

Our client-centric approach continues to bring us high levels of client satisfaction. We derived 97.1% of our consolidated revenues from repeat business this fiscal. We, along with our subsidiaries, added 325 new clients, including a substantial number of large global corporations. Our total client base at the end of the year stood at 1,092. The client segmentation for the current and previous years on a consolidated basis is as follows:

Clients	2016	2015
1 million dollar +	558	529
5 million dollar +	268	244
10 million dollar +	177	159
25 million dollar +	88	83
50 million dollar +	52	47
75 million dollar +	31	29
100 million dollar +	14	15
200 million dollar +	6	4
300 million dollar +	1	–

Infrastructure

We added 19.67 lakh sq. ft. of physical infrastructure space during the year. The total available space as on March 31, 2016 stands at 423.35 lakh sq. ft. The number of marketing offices as on March 31, 2016 was 85, the same as the previous year.

Infosys Innovation Fund

We have an innovation fund with an outlay of US\$500 million to tap into innovation networks of early-stage companies and universities to gain access to new thinking and business models.

Through the Infosys Innovation Fund, we have invested in six start-ups this year.

Subsidiaries and associates

We, along with our subsidiaries, provide consulting, technology, outsourcing and next-generation services. At the beginning of the year, we had 13 direct subsidiaries, 29 step-down subsidiaries and one associate. As on March 31, 2016, we have 16 direct subsidiaries, 30 step-down subsidiaries and one associate.

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, which forms part of this 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 and 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 Bangalore, India.

During the year, investments were made in the following subsidiary and new acquisitions:

- **EdgeVerve Systems Limited (EdgeVerve):** On April 24, 2015, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with EdgeVerve, to transfer the business of Finacle and Edge Services. Post the requisite approval from shareholders through postal ballot on June 4, 2015, a Business Transfer Agreement and other related documents were executed with EdgeVerve to transfer the business with effect from August 1, 2015. The Company has undertaken an enterprise valuation by an independent valuer and accordingly the businesses were transferred for a consideration of ₹3,222 crore and ₹177 crore for Finacle and Edge Services, respectively. The consideration was settled through the issue of 85,00,00,000 equity shares amounting to ₹850 crore and 25,49,00,000 non-convertible redeemable debentures amounting to ₹2,549 crore in EdgeVerve, post the requisite approval from shareholders on December 11, 2015. The transfer of assets and liabilities was accounted for at carrying values and did not have any impact on the consolidated financial statements.
- **Kallidus Inc. and Skava Systems Pvt. Ltd. (Kallidus):** On June 2, 2015, Infosys acquired 100% of the voting interests in Kallidus Inc., (d.b.a Skava) (Kallidus), a leading provider of digital experience solutions, including mobile commerce and in-store shopping experiences to large retail clients, and 100% of the voting interests of Skava Systems Private Limited, India, an affiliate of Kallidus. The business acquisition was conducted by entering into a share purchase agreement for a cash consideration of US\$91 million (approximately ₹578 crore) and a contingent consideration of up to US\$20 million (approximately ₹128 crore on acquisition date), the payment of which is dependent upon the achievement of certain financial targets by Kallidus over a period of three years ending on December 31, 2017.
- **Noah Consulting LLC (Noah):** On November 16, 2015, Infosys acquired 100% membership interest in Noah Consulting LLC, a leading provider of advanced information management consulting services for the oil and gas industry. The business acquisition was conducted by entering into a share purchase agreement for a cash consideration of US\$33 million (approximately ₹216 crore) and a contingent consideration of up to US\$5 million (approximately ₹33 crore on acquisition date) and retention bonus of up to US\$32 million (approximately ₹212 crore on acquisition date), referred to as retention bonus, payable to the employees of Noah at each anniversary following the acquisition date over the next three years, subject to their continuous employment with the Group at each anniversary. The payment of contingent consideration to the sellers of Noah was dependant upon the achievement of certain financial targets by Noah for the years ended December 31, 2015 and December 31, 2016. During the year ended March 31, 2016, based on the assessment of Noah achieving the targets for the respective periods, the entire contingent consideration was reversed.

Products

EdgeVerve Systems Limited, a wholly-owned subsidiary of Infosys, develops innovative software products and offers them on premise and on the cloud. Our products help businesses develop deeper connections with stakeholders, power continuous innovation and accelerate growth in the digital world. We power our clients' growth in rapidly-evolving areas like banking, interactive commerce, distributive trade, credit servicing, customer service and enterprise buying.

Today, EdgeVerve products and platforms are used by global corporations across industries such as financial services, insurance, retail and CPG, life sciences, manufacturing, and telecom. Our solutions are available in two broad categories – Edge suite and Finacle®.

Finacle®, our universal banking solution suite, is the choice of financial institutions across 92 countries and serves over 839 million bank customers. Finacle® solutions address the core banking, e-banking, mobile banking, CRM, payments, treasury, origination, liquidity management, Islamic banking, wealth management, and analytics needs of financial institutions. Finacle® solutions are consistently rated as a leader in the market by top industry analysts and is proven to be the most scalable banking platform globally.

Platforms

An important part of our strategy is the creation of the 'Infosys Platform' which consists of the Infosys Information Platform (IIP) and the Infosys Automation Platform (IAP). Our platforms leverage open source software components, and / or our proprietary software products, all of which can be deployed in the public or private cloud or on the customer's premise.

- **IIP:** Our IIP helps enterprises embark on their Big Data journey by providing a compelling price-performance ratio in data processing while also enabling them to take advantage of innovations happening in the open source community. IIP is based on an assembly of tested open source components and offers rapid deployment as a base for a broad variety of industry-specific scenarios.
- **IAP:** Our IAP, which was built on top of IIP, enables improved efficiencies in IT operations. IAP helps ensure business outcomes by monitoring and analyzing in near real-time, the health of all layers of IT systems including business processes, applications and infrastructure leveraging stream processing and Big Data technologies. IAP aims to predict issues using knowledge models, machine learning algorithms and predictive analytics and prevent business disruptions through proactive interventions. IAP automates repetitive tasks in IT operations and leverages advanced capabilities like natural language processing and artificial intelligence.
- **Panaya:** Panaya, an Infosys company, is a leader in ERP change analytics and cloud-based enterprise software testing. The Panaya CloudQuality™ Suite disrupts the risk, time and costs required to deliver all types of SAP® and Oracle® EBS changes. Powered by Big Data analytics and aggregating since 2008, Panaya CloudQuality™ Suite delivers insights that tell organizations what will break, how to fix it and what to test. It is constantly improving and finding smarter ways to perform everything from day-to-day maintenance to major projects.

Skava

Skava, an Infosys company, powers the next generation of digital transformation for leading retailers worldwide by delivering the most versatile technology platform in the industry. Skava enables digital shopping experiences for global brands across mobile, tablet, desktop, in-store, and all emerging channels.

Open Source

OSSmosis, the Infosys Open Source program, was set up with an objective of 'nurturing innovation through Open Source adoption and contribution'. Through this program, over 25,000 employees have been trained on key Open source technologies; 12 key communities of practices, including BigData and DevOps, have been setup; new and existing partners are engaged for enablement, joint solutions and go-to-market. Over 100 key contributors have been contributing to forums like Spark, Selenium, Jenkins etc. Infosys' POV on Open Source (<https://www.infosys.com/information-platform/Documents/OSSmosis-open-source-journey.pdf>) was acknowledged by several clients, and executives.

Quality

We continue our journey of delivering value to our clients through significant investments in quality programs. While sustaining existing external benchmarks and certifications, we have added new certifications and further enhanced our programs and initiatives

to renew our commitment to the culture of quality, client value, innovation and productivity improvement.

We continue to adhere to international quality standard certifications such as ISO 9001, ISO 22301, ISO 20000, ISO 27001, AS EN 9100, ISO 13485, TL 9000 SV, OHSAS 18001 and ISO 14001. We have received an independent auditors' assurance report on compliance to ISAE 3402 / SSAE16 and a certification of compliance on PCIDSS V 3.0 for Infosys BPO Limited. We also get assessed at CMMi Level 5. According to the Process Maturity Profile published by the CMMi Institute of Carnegie Mellon University in December 2015, only 7% of 12,691 organizations globally are operating at Level 5, which is the highest level of process maturity.

Our Quality department handles large change management initiatives to drive quality and productivity improvements across the Company, using various techniques such as Six Sigma, Lean methodology, and engineering levers like Reuse, Automation and Tools.

Our Quality department partners with business units to help implement and sustain the Zero Distance program, an initiative to infuse grassroots innovation across all our projects, and effectively measure benefits to the client, and ensure substantial client impact.

We continue to fine-tune our Client Value Survey to capture the voice of our customers, and to assess client expectations as an ongoing process. The data that is collected is analyzed around satisfaction, advocacy, loyalty, fulfillment and value for money, and helps us draw action plans to improve client experience.

Branding

The Infosys brand is a key intangible asset of the Company. It positions Infosys as the next-generation services company that would help enterprises renew themselves while also creating new avenues to generate value. Brand Infosys is being built around the premise that software, in a very fundamental way, is reshaping the world around us. And because of this, there is a duality that every business faces – on the one hand, the need to renew existing systems, to improve their effectiveness with new technologies and innovation, and on the other hand, the need to deliver completely new kinds of services and new solutions in new ways using next-generation technologies. Infosys helps its clients achieve this dual agenda in a culture of learning and innovation at the grassroots level. The way Infosys connects with its clients, builds out great ideas and creates value from innovations is called Zero Distance – describing its approach to operating at the intersection of desirability, feasibility and viability.

Our marketing reach extends globally through advertisements, public relations and digital marketing initiatives. We participate in premier business and industry events around the world. We also organize signature events and roundtables across geographies. 'Confluence', our flagship client event, is consistently well-attended and rated highly by our clients and industry partners.

Awards and recognition

In fiscal 2016, we were conferred multiple awards and recognition, both international and national. The major ones among them are listed as follows:

Business and management

- We won the 'Corporate Citizen of the Year Award' at the Economic Times Award 2015.
- The Institute of Company Secretaries of India honored us with the certificate of recognition for adopting exemplary corporate governance practices at the National Awards for Excellence in Corporate Governance.
- Our Annual Report 2014-15 received the Gold award in the IT category at the League of American Communications Professionals Vision Awards 2014. In the Asia-Pacific region category, we were featured among the top 50 reports, while the letter to the shareholder was adjudged the 'Best Shareholder Letter'.

- We were ranked among Asia's Most Admired Brands of 2014 by World Consulting & Research Corporation, a leading brand rating and ranking company.

Banking

- Infosys Finacle® has been named a leader by Forrester Research, Inc. in *The Forrester Wave™ : Mobile Banking Solutions, Q4 2015* report, and in *The Forrester Wave™ : Omnichannel Banking Solutions, Q3 2015* report.
- We were positioned as a Leader and Star Performer in 2015 Banking Application Outsourcing PEAK Matrix™ by Everest.
- We received the Highest Product Score in 'Gartner Critical Capabilities for International Retail Core Banking' Report. Finacle® emerged as the leading solution with the highest scores across all the use-cases presented.

ERP services

- We won the 2015 Oracle Excellence Award for the strategic focus areas of SaaS and PaaS, and Specialized Partner of the Year, North America, for CX Cloud as well as PaaS.
- We were positioned as a Leader in Gartner's Magic Quadrant for Oracle Application Management Services as well as for SAP Implementation Services Worldwide, 2015.

Technology innovation

- We were recognized as one of the 'most relevant' service providers for digital strategy in North America by the Everest Group in a report titled 'North America Digital Adoption Survey – How Pervasive is Your Digital Strategy?'
- IDC Energy Insights, a leading market intelligence and advisory services firm, positioned Infosys as a 'major player' for providing professional services to the oil and gas industry.
- We were positioned as a Leader in Gartner's Magic Quadrant for Application Testing Services, Worldwide, 2015.
- We were rated as 'Leaders' in the Forrester Global Wave for Workplace Transformation.
- We were positioned as a 'Major Player' in the IDC MarketScape on Microsoft implementation services.
- The IDC MarketScape report, 'Worldwide Manufacturing PLM Strategic Consulting 2015 Vendor Assessment' positioned Infosys as a 'Leader' in providing manufacturing product lifecycle management (PLM) strategic consulting.

Sustainability awards

- We were awarded the Leadership in Energy and Environment Design (LEED) India Platinum rating for two of our buildings in Pune and Bangalore.
- At The Energy Award, London, we won the Innovative Technology of the Year award.
- Infosys was placed third in the Industrial Water Use Efficiency category at the Federation of Indian Chambers of Commerce and Industry Water Awards.
- We received the NDTV Property Award under the Most Environment-Friendly Commercial / Office Space category.
- We also won the Golden Peacock Award under the Corporate Award for Sustainability – India category.
- The Solar Energy Global Conference and Awards recognized Infosys under four categories: Best Company for Commercial Rooftop Installations, Best Company for Sustainability in Solar Energy, Company of the Year, and Best Company for Green Initiatives.

For the complete list of awards and recognition won by Infosys, refer to <https://www.infosys.com/about/awards>

3. Human resources management

We have set up a scalable recruitment and human resources management process. Over the last year, on a standalone basis, we received 11,15,745 applications from prospective employees. The Infosys Group added 17,857 (net) and 52,545 (gross) employees this year, taking the total strength to 1,94,044 from 1,76,187 at the end of the previous year.

On a standalone basis, the attrition rate for fiscal 2016 stands at 13.6%, compared to 18.9% for the previous year.

Human resources management at Infosys goes beyond the set boundaries of compensation, performance reviews and development. We look at the employee's entire lifecycle, to ensure timely interventions that help build a long-lasting and fruitful career. With this in mind, we initiated several positive changes in our HR practice this year.

A large part of our focus in fiscal 2015 was on listening to employee feedback to make the right changes. Zero Distance, a movement to bring innovation to every project at Infosys, facilitated by a five-point framework of innovation was an example of employee engagement built through ground-up involvement in organizational growth and strategy. Through the year, we gathered feedback from employees across all our communication channels and platforms, including our annual employee engagement survey (LITMUS 2016). From LITMUS, we identified a number of tracks to be actionized, and invited employees to be a part of these. We also worked on an exercise to identify influencer groups within the organization, whose networks could be leveraged to spread ideas of innovation and collaboration. To ensure that employees are able to be their productive best, we worked on simplifying internal processes through a collaborative effort with various teams. Rewards and recognition in terms of the annual awards for excellence, quarterly promotions, and unit awards continued.

As part of the focus on human resources development during fiscal 2016, we introduced iCount, the renewed performance management system. We moved away from the bell curve, to focus on individual employee contribution and continuous feedback, and built a self-serviced platform to empower employees to design their own journey within the organization.

To foster a positive workplace environment, free from harassment of any nature, we have institutionalized the Anti-Sexual Harassment Initiative (ASHI) framework, through which we address complaints of sexual harassment at the workplace. Our global policy assures discretion and guarantees non-retaliation to complainants. We follow a gender-neutral approach in handling complaints of sexual harassment and we are compliant with the law of the land wherever we operate. We have also constituted an Internal Complaints Committee (ICC) in all locations across India to consider and address sexual harassment complaints in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The details of issues raised and resolved regarding sexual harassment of women at the workplace are available in the *Enhancing employee value* section in the Business Responsibility Report which forms part of this Annual Report.

Talent fulfillment

We continue to improve our talent supply chain processes to maintain a consistent high utilization throughout the year and effectively support our higher growth.

In fiscal 2016, we launched an innovative program named 'Zero Bench' to productively engage employees who are on bench (between client engagements) to create valuable outcomes for the organization. Our employees can now leverage our training infrastructure to upgrade their skills during their bench period and also work on short, internal projects of their choice, to gain exposure, hone their skills, extend networks, while delivering value.

To foster a culture of innovation and rapid problem-solving using technology, we launched the second season of the Infosys Global

Hackathon. During this fiscal, we also launched Compass, a digital platform to mobilize opportunities in careers, learning and networks within the organization.

Education, training and assessment

Learning and education are at the foundation of Infosys. Competency development continues to be a key area of strategic focus for us. During fiscal 2016, the total training provided for Infosys was over 2.12 million person days. Many of our employees also took external certifications, creating a large pool of certified people.

To enhance the innovation quotient among the workforce, we conducted the Design Thinking program, which trains individuals in an empathetic, customer-centric mode of problem-finding and problem-solving. The total number of participants benefiting from the Design Thinking training crossed 80,000 as of March 31, 2016. The Design Thinking training has been imparted to client teams, leadership teams, Infosys and fresh recruits.

Our industry-academia partnership program, Campus Connect, made progress through the launch of electives to help engineering colleges run new programs within their curricula. During fiscal 2016, we engaged with 1,225 faculty members who in turn trained 40,996 students. With this, the total number of beneficiaries covered has reached 13,111 faculty members and 3,71,639 students from 317 engineering institutions.

Our knowledge management system set a new record by winning the Global Most Admired Knowledge Enterprise (MAKE) award for the 11th time, Asian MAKE award for the 13th time and Indian MAKE award for the 11th time.

Infosys Leadership Institute

The vision of the Infosys Leadership Institute (ILI) is to be recognized as a globally respected institution that is committed to developing leaders within Infosys. The primary purpose of the institute is to develop and prepare senior leaders of the organization for current and future executive leadership roles. ILI employs a wide range of developmental approaches including classroom training, coaching, 'leaders teach' and experience-sharing sessions. Senior leaders from across Infosys and its subsidiaries are the beneficiaries of ILI's programs.

Particulars of employees

The ratio of remuneration of each director to the median of employees' remuneration as per Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of the *Board's report (Annexure 3a)*.

A statement containing the names of every employee posted in India throughout the financial year and in receipt of a remuneration of ₹60 lakh or more, or posted for part of the year and in receipt of ₹5 lakh or more a month, under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of the *Board's report (Annexure 3b)*. The details of employees posted outside India can be made available on request.

Employees' stock options / Restricted stock units

2015 Stock Incentive Compensation Plan

The shareholders approved the issuance of stock incentives to the employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan ('the 2015 Plan') in the recently concluded postal ballot on March 31, 2016. The 2015 plan is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the details are also available on our website (<https://www.infosys.com/investors/corporate-governance>). The purpose of the 2015 Plan is to:

- Attract, retain and motivate talented and critical employees;
- Encourage employees to align individual performance with Company objectives; and
- Reward employee performance with ownership.

The 2015 Plan provides for stock incentives to eligible employees such as Restricted Stock Units (RSU) and stock options (together 'Stock Incentives'). Subject to applicable law and conditions for exercise, eligible employees are entitled to receive equity shares, American Depositary Receipts (ADRs) or cash on exercise of the Stock Incentives. The Stock Incentives vest over a period of four years from the date of the grant, or such other period as decided in the sole discretion by the Administrator. The 2015 Plan shall be administered by the nomination and remuneration committee of the Board constituted by the Company pursuant to the provisions of Section 178 of the Companies Act, 2013 ('the Administrator'). The Administrator's decisions, determinations, and interpretations will be final and binding on all eligible employees and participants under the 2015 Plan. Each Stock Incentive shall be evidenced by an award agreement that will specify such terms and conditions as the Administrator will determine, including whether the eligible employees will get equity shares of the Company, ADRs of the Company or cash on exercise of the Stock Incentives.

The Board had, in October 2015, recommended that the Company create a pool of up to 2% of the shares outstanding towards the 2015 Plan for employees of the Company. The Management has recommended to the Board that a budget of 1% of the shares outstanding be allocated at this time to the needs of the Plan, amounting to approximately 2,40,38,883 equity shares. This 1% pool includes 1,12,23,576 treasury shares of the Company that are currently held in trust towards the 2011 RSU Plan. Consequently, an additional 1,28,15,307 equity shares, amounting to 0.56% of the shares outstanding, will be required to be set aside for the 2015 Plan. We expect the pool of 2,40,38,883 shares to be granted over a period of four to seven years.

To calculate the employee compensation cost, the Company uses the Fair Value Method for the valuation of the Stock Incentives granted.

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.

The total number of equity shares and ADRs to be allotted pursuant to the exercise of the Stock Incentives under the 2015 Plan to the employees of the Company and its subsidiaries shall not cumulatively exceed 2,40,38,883 equity shares (approximately 1% of the issued capital) of which 1,70,38,883 shares will be issued as RSUs at par value (including shares currently held under the RSU 2011 Plan amounting to 1,12,23,576 equity shares) and 70,00,000 will be issued as stock options at market price. The mix of RSUs, options or other equity rights under the Plan may be adjusted in the sole determination of the Administrator from time to time.

In June 2015, the Company, based on the recommendation of the nomination and remuneration committee, made a grant of 1,24,061 RSUs to Dr. Vishal Sikka. The grant price was ₹5 per RSU and the RSUs would vest subject to the 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 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.

During fiscal 2016, Dr. Vishal Sikka exercised 10,824 options and held 2,21,505 options outstanding as on March 31, 2016.

The details of the employee stock options / RSU plan form part of the Notes to accounts of the financial statements in this Annual Report.

4. Corporate governance

Our corporate governance philosophy

Corporate governance is about maximizing shareholder value legally, ethically and sustainably. At Infosys, the goal of corporate governance is to ensure fairness for every stakeholder. We believe sound corporate governance is critical to enhance and retain investor trust. We always seek to ensure that our performance is driven by integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. Our disclosures seek to attain the best practices in international corporate governance. We also endeavor to enhance long-term shareholder value and respect minority rights in all our business decisions.

Our *Corporate governance report* for fiscal 2016 forms part of this Annual Report.

Board diversity

The Company recognizes and embraces the importance of a diverse board in its success. We believe that a truly diverse board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will help us retain our competitive advantage. The Board has adopted the Board Diversity Policy which sets out the approach to diversity of the Board of Directors. The Board Diversity Policy is available on our website (<https://www.infosys.com/investors/corporate-governance/Documents/board-diversity-policy.pdf>). More detail on diversity is available in the *Corporate governance report* that forms part of this Annual Report.

Number of meetings of the Board

The Board met eight times during the financial year, the details of which are given in the *Corporate governance report*. The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013.

Policy on directors' appointment and remuneration

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and separate its functions of governance and management. On March 31, 2016, the Board consists of nine members, two of whom are executive or whole-time directors, and seven are independent directors.

The policy of the Company on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under sub-section (3) of Section 178 of the Companies Act, 2013, is available on our website (<https://www.infosys.com/investors/corporate-governance/Documents/nomination-remuneration-policy.pdf>). There has been no change in the policy since the last fiscal year. We affirm that the remuneration paid to the directors is as per the terms laid out in the nomination and remuneration policy of the Company.

Declaration by independent directors

The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he / she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Board evaluation

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates that the Board shall monitor and review the Board evaluation framework. The framework includes the evaluation of directors on various parameters such as:

- Board dynamics and relationships
- Information flows
- Decision-making

- Relationship with stakeholders
- Company performance and strategy
- Tracking Board and committees' effectiveness
- Peer evaluation

The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. Schedule IV of the Companies Act, 2013 states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the *Corporate governance report*. The Board approved the evaluation results as collated by the nomination and remuneration committee.

Familiarization program for independent directors

All new independent directors inducted into the Board attend an orientation program. The details of training and familiarization program are provided in the *Corporate governance report* and is also available on our website (<https://www.infosys.com/investors/corporate-governance>). Further, at the time of the appointment of an independent director, the Company issues a formal letter of appointment outlining his / her role, function, duties and responsibilities. The format of the letter of appointment is available on our website (<https://www.infosys.com/investors/corporate-governance/Documents/appointment-independent-director.pdf>).

Policies

We seek to promote and follow the highest level of ethical standards in all our business transactions guided by our value system. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the formulation of certain policies for all listed companies. All our corporate governance policies are available on our website (<https://www.infosys.com/investors/corporate-governance/Pages/policies.aspx>). The policies are reviewed periodically by the Board and updated based on need and new compliance requirement.

In addition to its Code of Conduct and Ethics, key policies that have been adopted by the Company are as follows:

Name of the policy	Brief description	Web link
Recoupment Policy	The policy deals with the provisions if the Company restates its financial statements. It allows the Company to recover any incentive-based compensation received by an executive officer that is in excess of what would have been payable based on the restated and corrected financial statements.	https://www.infosys.com/investors/corporate-governance/Documents/recoupment-policy.pdf
Whistleblower Policy (Policy on vigil mechanism)	The Company has adopted the whistleblower mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud, or violation of the Company's code of conduct and ethics. There has been no change to the Whistleblower Policy adopted by the Company during fiscal 2016.	https://www.infosys.com/investors/corporate-governance/Documents/whistleblower-policy.pdf
Nomination and Remuneration Policy	This policy formulates the criteria for determining qualifications, competencies, positive attributes and independence for the appointment of a director (executive / non-executive) and also the criteria for determining the remuneration of the directors, key managerial personnel and other employees.	https://www.infosys.com/investors/corporate-governance/Documents/nomination-remuneration-policy.pdf
Corporate Social Responsibility Policy	The policy outlines the Company's strategy to bring about a positive impact on society through programs relating to hunger, poverty, education, healthcare, environment and lowering its resource footprint.	https://www.infosys.com/investors/corporate-governance/Documents/corporate-social-responsibility-policy.pdf
Policy on Material Subsidiaries	The policy is used to determine the material subsidiaries and material non-listed Indian subsidiaries of the Company and to provide the governance framework for them.	https://www.infosys.com/investors/corporate-governance/Documents/material-subsidiaries-policy.pdf
Related Party Transaction Policy	The policy regulates all transactions between the Company and its related parties	https://www.infosys.com/investors/corporate-governance/Documents/related-party-transaction-policy.pdf
Insider Trading Policy	The policy provides the framework in dealing with securities of the Company.	https://www.infosys.com/investors/corporate-governance/Documents/insider-trading-policy.pdf

Infosys' code of conduct for the prevention of insider trading

The Board of Directors has adopted the Insider Trading Policy in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulation, 2015 and the applicable US Securities laws. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed, and disclosures to be made while dealing with shares of the Company, as well as the consequences of violation. The policy has been formulated to regulate, monitor and ensure reporting of deals by employees and to maintain the highest ethical standards of dealing in Company securities.

The Insider Trading Policy of the Company covering code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct for the prevention of insider trading, is available on our website (<https://www.infosys.com/investors/corporate-governance/Documents/insider-trading-policy.pdf>)

Listing Agreement

The Securities and Exchange Board of India (SEBI), on September 2, 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the aim to consolidate and streamline the provisions of the Listing Agreement for different segments of capital markets to ensure better enforceability. The said regulations were effective December 1, 2015. Accordingly, all listed entities were required to enter into the Listing Agreement within six months from the effective date. The Company entered into Listing Agreement with BSE Limited and the National Stock Exchange of India Limited during December 2015.

Name of the policy	Brief description	Web link
Corporate Policy Statement on Investor Relations	The policy is aimed at providing clear guidelines and procedures for disclosing material information outside the Company in order to provide accurate and timely communications to our shareholders and the financial markets.	https://www.infosys.com/investors/corporate-governance/Documents/corporate-policy-statement-investor-relations.pdf
Policy for Determining Materiality for Disclosures	This policy applies to disclosures of material events affecting Infosys and its subsidiaries. This policy is in addition to the Company's corporate policy statement on investor relations, which deals with the dissemination of unpublished, price-sensitive information. The Board amended the corporate policy statement on investor relations to make it consistent with the materiality policy and conform to the U.S. regulations.	https://www.infosys.com/investors/corporate-governance/Documents/policy-determining-materiality-disclosures.pdf
Document Retention and Archival Policy	The policy deals with the retention and archival of corporate records of Infosys Limited and all its subsidiaries.	https://www.infosys.com/investors/corporate-governance/Documents/document-retention-archival-policy.pdf

Directors and Key Managerial Personnel

Chairman of the Board

K. V. Kamath stepped down as Chairman and Independent Director of the Company effective June 5, 2015 consequent to his appointment as the President of the New Development Bank promoted by BRICS nations. R. Seshasayee, an independent director, took over as the Chairman of the Board effective June 5, 2015.

Inductions

The Board made the following appointments/re-appointments based on the recommendations of the nomination and remuneration committee:

- Re-appointment of Prof. Jeffrey S. Lehman as an Independent Director of the Board effective April 14, 2016.
- Appointment of Dr. Punita Kumar-Sinha as an Independent Director of the Board effective January 14, 2016.
- Re-appointment of Dr. Vishal Sikka as Chief Executive Officer and Managing Director of the Company with effect from April 1, 2016.

We thank the shareholders for their support in confirming the above-mentioned appointments in the recently-concluded postal ballot on March 31, 2016.

The Board, on the recommendations of the nomination and remuneration committee, also appointed:

- M. D. Ranganath as the Chief Financial Officer effective October 12, 2015.
- A. G. S. Manikantha as Company Secretary effective June 22, 2015. Further, the Board appointed A. G. S. Manikantha as the Compliance Officer for SEBI Listing regulations with effect from December 1, 2015.

Re-appointments

As per the provisions of the Companies Act 2013, Dr. Vishal Sikka, retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The Board recommends his re-appointment.

Retirements and resignations

K. V. Kamath resigned as Independent Director with effect from June 5, 2015, consequent to his nomination as president of the BRICS New Development Bank. The Board places on record its appreciation for the services rendered by K. V. Kamath during his tenure with the Company. Carol M. Browner resigned as Independent Director with effect from November 23, 2015 due to personal reasons. The Board places on record its appreciation for the services rendered by Carol M. Browner during her tenure with the Company.

Rajiv Bansal resigned as CFO with effect from October 12, 2015. The Board places on record its appreciation for the services rendered by him during his tenure with the Company.

Committees of the Board

Currently, the Board has six committees: the audit committee, the nomination and remuneration committee, the corporate social responsibility committee, the stakeholders relationship committee, the risk and strategy committee, and the finance and investment committee. All committees, except the corporate social responsibility committee, consist entirely of independent directors. A detailed note on the composition of the Board and its committees is provided in the *Corporate governance report* section of this Annual Report.

Internal financial control and its adequacy

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

Significant and material orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Extract of annual return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format is appended as *Annexure 6* to the *Board's report*.

Directors' responsibility statement

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). There are no material departures from the prescribed accounting standards in the adoption of these standards.

The directors confirm that:

- In preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.

- They have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- They have prepared the annual accounts on a going concern basis.
- They have laid down internal financial controls, which are adequate and are operating effectively.
- They have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

5. Auditors

Statutory auditors

At the Annual General Meeting held on June 14, 2014, B S R & Co. LLP, Chartered Accountants, were appointed as statutory auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in the calendar year 2017. In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of B S R & Co. LLP, Chartered Accountants, as statutory auditors of the Company, is placed for ratification by the shareholders.

The Auditors' Report for fiscal 2016 does not contain any qualification, reservation or adverse remark. The *Auditors' Report* is enclosed with the financial statements in this Annual Report.

Secretarial auditor

Parameshwar G. Hegde of Hegde & Hegde, Practicing Company Secretaries, was appointed to conduct the secretarial audit of the Company for the fiscal 2016, as required under Section 204 of the Companies Act, 2013 and Rules thereunder. The secretarial audit report for fiscal 2016 forms part of the Annual Report as *Annexure 5* to the *Board's report*. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Board has appointed Parameshwar G. Hegde, Hegde & Hegde, Practicing Company Secretaries, as secretarial auditor of the Company for fiscal 2017.

Auditors' certificate on corporate governance

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the auditors' certificate on corporate governance is enclosed as *Annexure 4* to the *Board's report*. The auditors' certificate for fiscal 2016 does not contain any qualification, reservation or adverse remark.

6. Corporate social responsibility

Infosys has been an early adopter of corporate social responsibility (CSR) initiatives. The Company works primarily through its CSR trust, the Infosys Foundation, towards supporting projects in eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environmental sustainability, disaster relief and rural development projects.

As per the Companies Act, 2013, all companies having a net worth of ₹500 crore or more, or a turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more during any financial year are required to constitute a CSR committee of the Board of Directors comprising three or more directors, at least one of whom should be an independent director. All such companies are required to spend at least 2% of the average net profits of their three immediately preceding financial years on CSR-related activities. Accordingly, the Company was required to spend ₹256 crore towards CSR activities, out of which ₹202 crore was utilized on activities specified in Schedule VII of the Companies Act, 2013. A few of the projects undertaken are multi-year projects. In addition, as part of its ongoing CSR programs, the Company has spent ₹10 crore on Chennai flood relief and rehabilitation activities and ₹76 crore on multiple CSR initiatives – including environmental

sustainability and conservation of natural resources aimed at long-term sustainability of the ecosystem – which were not covered under Schedule VII of the Companies Act, 2013. At the consolidated level, the total expenditure on CSR activities, as specified in Schedule VII of the Companies Act, 2013, was ₹216 crore.

Details of the CSR policy and initiatives adopted by the Company on CSR during the year is available on our website (<https://www.infosys.com/investors/corporate-governance/Documents/corporate-social-responsibility-policy.pdf>). The annual report on our CSR activities is appended as *Annexure 7* to the *Board's report*.

Infosys Foundation

Established in 1996 as a not-for-profit trust for social welfare activities, the Infosys Foundation has grown as a pioneer and guide in implementing programs in the areas of healthcare, education, hunger eradication, rural development, disaster relief, arts and culture, and destitute care across India.

The highlights of the Foundation's work in fiscal 2016 included setting up of a center for artificial intelligence at the Indraprastha Institute of Information Technology, Delhi, help in rebuilding communities in calamity-hit Visakhapatnam and flood-affected Chennai, aid in building toilets in schools in Odisha, conservation of the endangered Olive Ridley turtles and partnership with Bharatiya Vidya Bhavan in 11 states to promote underprivileged artists. The Foundation also supported the construction of water facility and enclosures for animals at the Bannerghatta National Park in Bangalore, and efforts to conserve India's vast medical heritage.

The Foundation has also been relentlessly continuing its pursuits to improve healthcare and education in rural India. For more details on the Foundation's activities, refer to the website, <https://www.infosys.com/infosys-foundation>.

It is with deep gratitude that we acknowledge the efforts of our employee volunteers. We also thank the trustees of the Foundation, who continue to devote their time and effort in planning, guiding and monitoring its activities.

Infosys Foundation USA

Infosys Foundation USA took on a leadership role in supporting and expanding access to Computer Science (CS) and Maker education across the U.S., especially in under-represented and underserved communities. In fiscal 2016, as part of its mission to prepare students for an increasingly digital future, Infosys Foundation USA engaged and invested in CS and Maker-related programs in the following key areas:

- **CS professional development:** A shortage of trained teachers continues to be the most critical bottleneck for expanding CS in schools. By providing foundational support for organizations like Code.org and initiatives like CS PD Week, Infosys Foundation USA supported CS professional development (teacher training) opportunities for several thousand teachers nationwide, especially in high-poverty regions.
- **CS teacher support:** Access to tools and infrastructure is another area where resources are required for teachers who seek to bring CS to their classrooms. Infosys Foundation USA supported teachers directly through organizations like DonorsChoose.org and Tynker by sponsoring CS classroom projects and education software.
- **CS diversity:** Infosys Foundation USA believes free bootcamps, hackathons and after-school programs provide a much-needed on-ramp and early exposure to coding.
- **Making:** With the Infy Maker awards and through partnerships with CREATE Lab at the Carnegie Mellon University, Infosys Foundation USA sought to give students the opportunity to develop the creative confidence to be Makers.
- **Research and curriculum development:** Working with Stanford University and other leading research organizations, Infosys Foundation USA supported the larger CS education community in key areas.

We thank our employee volunteers for their interest and dedication. We also thank our trustees, who continue to guide and inspire us.

Infosys Science Foundation

The Infosys Science Foundation (ISF) was set up by Infosys and some of its management in 2009 to encourage the pursuit and practice of the sciences. The Infosys Prize, governed by the ISF, recognizes some of the finest research connected to India. The prize winners are awarded a purse of ₹65 lakh (tax-free in India) and a citation by a jury of global renown across six fields. The winners of the Infosys Prize 2015 were Prof. Umesh Waghmare (Professor, Theoretical Sciences Unit, Jawaharlal Nehru Centre for Advanced Scientific Research, Bangalore) in Engineering and Computer Science, Prof. Jonardan Ganeri (Global Network Professor of Philosophy, New York University, New York, and Visiting Professor, Department of Philosophy, King's College, London) in Humanities, Dr. Amit Sharma (Head, Structural and Computational Biology Group, International Centre for Genetic Engineering and Biotechnology, New Delhi) in Life Sciences, Prof. Mahan Mj (Professor, School of Mathematics, Tata Institute of Fundamental Research, Mumbai) in Mathematical Sciences, Prof. G. Ravindra Kumar (Senior Professor, Department of Nuclear and Atomic Physics, Tata Institute of Fundamental Research, Mumbai) in Physical Sciences, and Dr. Srinath Raghavan (Senior Fellow, Centre for Policy Research, New Delhi) in Social Sciences. The winners were felicitated by the President of India, Pranab Mukherjee, in a ceremony in New Delhi on February 13, 2016.

The winners of the Infosys Prize serve as role models for young researchers and scholars. Jurors and winners of the prize give public talks around the country under the Infosys Science Foundation Lectures, to talk about their work and instill a love for science and research among young students. The ISF expanded *Gnanadeepa*, a program to train educators on how to impart science and math concepts so students will grasp them better. Apart from training teachers from government schools, the program now trains B.Ed and D.Ed teachers as well. The Foundation also hosts contests, school events and media debates to promote a healthy discussion around science and research in the country. For more details, visit www.infosys-science-foundation.com.

We would like to express our gratitude to the trustees who take an active part in driving ISF's activities through the year.

The ACM – Infosys Foundation Award

The Association for Computing Machinery (ACM), and the Infosys Foundation award set up in 2007 recognizes the finest recent innovations by young scientists and system developers in the computing field each year. An endowment from the Infosys Foundation provides financial support for the US\$175,000 annual award. The winner of the 2015 award is Stefan Savage, Professor in the Computer Science and Engineering department's Systems and Networking Group at UC San Diego's Jacobs School of Engineering.

Acknowledgments

We thank our customers, vendors, investors, bankers and the ministry of labor for their continued support during the year. We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

We thank the governments of various countries where we have our operations. We also thank the Government of India, particularly the Ministry of Communication and Information Technology, the Ministry of Commerce, the Ministry of Finance, the Ministry of Corporate Affairs, the Customs and Excise Departments, the Income Tax Department, the Reserve Bank of India, the State Governments, the Software Technology Parks (STPs) / Special Economic Zones (SEZs) – Bangalore, Bhubaneswar, Chandigarh, Chennai, Gurgaon, Hyderabad, Indore, Jaipur, Mangalore, Mysore, Nagpur, Noida, Pune, Mumbai, Kochi and Thiruvananthapuram and other government agencies for their support, and look forward to their continued support in the future.

Bangalore
April 15, 2016

Sustainability initiatives

Our sustainability charter is driven by our core values and ethics. Our sustainability actions encompass economic, social and environmental dimensions.

Through our organization-led projects such as Campus Connect, Rural Reach and SPARK, we support students from underprivileged backgrounds to pursue higher education, provide infrastructure for government schools, and train faculty across schools and colleges. For more information about our industry-academia partnerships, visit our website, www.infosys.com.

We have been persistent in our efforts to ensure reuse, recycling and responsible disposal of waste to minimize the amount of waste going to landfills. In our efforts to achieve our goal of sourcing 100% of our electricity requirements from renewables, we have continued to invest in solar energy across our campuses. In fiscal 2016, we launched a solar farm at our Hyderabad campus. The energy generated in the farm has helped the campus get off the grid and run 100% on renewable energy. Details of our environmental sustainability actions are available in *Annexure 8* to the *Board's report* and in the *Environment* section of the *Business Responsibility Report*.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (3)(m) of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014, are enclosed as *Annexure 8* to the *Board's report*.

Business Responsibility Report

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Regulations') mandates inclusion of the Business Responsibility Report (BRR) as part of the Annual Report for top 100 listed entities based on market capitalization. In compliance with the regulation, we have provided the BRR as part of our Annual Report.

We also publish the *Sustainability Report* annually. Our report follows the Global Reporting Initiative's G4 framework. This is a comprehensive report that covers all aspects of our sustainability activities. The report is audited by an external auditor, DNV GL.

Green initiatives

As in the previous years, this year too, we are publishing only the statutory disclosures in the print version of the Annual Report. Electronic copies of the Annual Report 2015-16 and Notice of the 35th Annual General Meeting are sent to all members whose email addresses are registered with the Company / Depository Participant(s). For members who have not registered their email addresses, physical copies are sent in the permitted mode.

for and on behalf of the Board of Directors



R. Seshasayee
Chairman



Dr. Vishal Sikka
Chief Executive Officer and
Managing Director

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Safe Harbor

This Annual Report contains 'forward-looking statements', that are based on our current expectations, assumptions, estimates and projections about the Company, our industry, economic conditions in the markets in which we operate, and certain other matters. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'project', 'seek', 'should' and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors, which may cause actual results or outcomes to differ materially from those implied by the forward-looking statements. Important factors that may cause actual results or outcomes to differ from those implied by the forward-looking statements include, but are not limited to, those discussed in the 'Outlook, risks and concerns' section in this Annual Report. In light of these and other uncertainties, you should not conclude that the results or outcomes referred to in any of the forward-looking statements will be achieved. All forward-looking statements included in this Annual Report are based on information available to us on the date hereof, and we do not undertake to update these forward-looking statements to reflect future events or circumstances unless required to do so by law.

www.infosys.com



To read the report online:
<http://www.infosys.com/AR-2016>

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