

Infosys' clarifications on Mr. Phaneesh Murthy's responses to the settlement of sexual harassment lawsuit

Bangalore, India, May 12, 2003 -- In response to Infosys' announcement that it has settled the litigation with its former employee, Reka Maximovitch, Mr. Phaneesh Murthy, its former director and officer, has asserted that since the settlement was not his preferred route, he did not contribute to the settlement amount. He has further asserted that Infosys settled this matter because of its upcoming ADR offering, and the company wanted to retaliate against him because he has filed a lawsuit against the Company demanding the release of certain shares in Infosys' possession.

Infosys' spokesperson R. Nithyanandan, Corporate Counsel and Head – Legal, terms every one of these assertions as being blatantly false, and offers the following clarifications:

On Phaneesh's asserted reasons for Infosys settling this matter:

"As has been stated, Infosys settled this matter because it believed it was in the best interests of the company to do so. The company has disclosed in all its SEC filings as early as October 2002 that the case with Reka may materially impact the earnings of the company. As the company had already disclosed the risk in its filings there is no connection between the settlement and the proposed ADR offering.

This case was settled on April 25, 2003 as the depositions were to start on the same day. **A reading of the many public filings in this case would bring forth the grave nature of the allegations made against Phaneesh.**"

On Phaneesh's claim that he was an unwilling party to the settlement:

"In the settlement discussions, Infosys had made it clear that it was willing to settle with Reka, without Phaneesh.

For Phaneesh to participate in the settlement, Infosys had clearly specified that (a) he agree to Infosys having the right to sue him for all his actions and lack of contribution (b) he further agree that in the event Infosys sued him for his actions, including for breach of his fiduciary duties and indemnification, he would have no recourse to the insurance company and (c) that the company not be bound by any term of confidentiality with respect to this settlement or the case.

Initially, Phaneesh refused to participate in the settlement on these terms. When Infosys confirmed to him that the company was anyway going ahead with the settlement alone, Phaneesh came back **voluntarily** and signed the settlement and agreed to every condition that Infosys had set. **As the company retained its right to sue Phaneesh for his actions and lack of contributions, it went ahead with the settlement without any contribution from Phaneesh.**

If Phaneesh believed he was innocent and wanted to clear his name, he should have stayed in the lawsuit by himself and defended his position. We had given him this option. Instead of fighting to clear his name, he elected to settle."

On Phaneesh's claim that Infosys is withholding his shares and that he has initiated legal action to retrieve them:

"Infosys has not received any notice of demand in respect of these shares from Phaneesh and the company is unaware of any lawsuit filed by Phaneesh in this regard.

Under the company's 1994 ESOP scheme, every employee is required to meet all the liabilities including taxes, on the grant of the options. Every employee has entered into an agreement with the Infosys Employees Welfare Trust (EWT) to indemnify the EWT and the Company for any tax liability and as part of such indemnity agreed to keep a part of his/her shares with the EWT to meet any tax liability. The EWT is holding 25,600 shares belonging to Phaneesh Murthy as part of a tax indemnity he had signed on December 15, 1997. **The company has not singled out Phaneesh Murthy for this indemnity or withholding of shares. More than thousand employees, who received stock options under the 1994 ESOP Plan, have signed the same indemnities and their shares are also being withheld under a similar tax indemnity.** The tax liability is not settled and is currently being agitated in the Karnataka High Court. As a result, the EWT has retained this indemnity till the matter is resolved fully and finally. Signing such an indemnity is a condition for participation in the ESOP. **Phaneesh has been aware of these facts since 1997 and his lawyers were again given this data in March 2003."**

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