(5) *Adjusted for September 2018 bonus issue, wherever applicable.*

(6) *The buyback of equity shares through the stock exchange started in March 20, 2019 and was completed on August 26, 2019. 97,867,266 equity shares were bought back from the Indian stock exchanges during fiscal 2020 and 12,652,000 equity shares were purchased through the stock exchange during fiscal 2019.*
113,043,478 equity shares (not adjusted for the September 2018 bonus issue) were bought back by the Company during fiscal 2018.

Exchange rates

Our functional currency is the Indian rupee. We generate a major portion of our revenues in foreign currencies, particularly the U.S. dollar, the Euro, the Australian dollar and the United Kingdom Pound Sterling, whereas we incur a significant portion of our expenses in U.S. dollar and Indian rupees. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of our operations are affected as the rupee fluctuates against the U.S. dollar and other foreign currencies. For fiscal 2020, 2019, 2018, 2017 and 2016, U.S. dollar denominated revenues represented 67.5%, 67.3%, 67.7%, 69.6% and 69.9% of total revenues, respectively. For the same respective periods, revenues denominated in the Euro represented 12.4%, 11.9%, 11.3%, 9.6% and 9.3% of total revenues while revenues denominated in the Australian dollar represented 6.8%, 7.9%, 7.8%, 7.3% and 6.9% of total revenues, revenues denominated in United Kingdom Pound Sterling represented 4.9%, 5.0%, 5.3%, 5.8% and 6.6% of total revenues, respectively. As such, our exchange rate risk primarily arises from our foreign currency revenues, receivables and payables.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will also affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will likely affect the market price of our American Depositary Shares (ADSs). Such fluctuations also impact the U.S. dollar conversion by the depositary of any cash dividends paid in Indian rupees on our equity shares represented by the ADSs.

Risk Factors

Investing in our ADSs, involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 20-F, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our ADSs. If any of the risks actually occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the market price of our equity shares and ADSs could decline, and you could lose part or all of your investment. Our business, operating results, financial performance, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Our revenues are difficult to predict and can vary significantly from period-to-period, which could cause our share price to decline. Therefore, period-to-period comparisons of the results of our operations should not be relied upon as an indication of our future performance. It is possible that in the future, our results of operations may be below the expectations of market analysts and our investors or our own guidance, which could cause the price of our equity shares and our ADSs to decline.

Outlined below are some of the risks that could potentially cause our revenues and profitability to fluctuate.

Global health pandemic from COVID 19 (COVID-19) related risks:

The COVID-19 pandemic is a global humanitarian and health crisis. The actions taken by various governments to contain the pandemic, such as closing of borders and lockdown restrictions, has resulted in significant disruption to people and businesses. Consequently, market demand and supply chains have been affected, significantly increasing the risk of a global economic recession.

The pandemic has impacted, and may further impact, all of our stakeholders – employees, clients, investors and communities we operate in. Our impact of COVID-19 in the fourth quarter of fiscal 2020 was not significant. Further, due to the uncertainty surrounding this risk and the unavailability of a certified vaccine or cure to-date, we have not been able to provide investors with any revenue or profit guidance for fiscal 2021. COVID-19 has heightened several other risks that are described in this section. Some of the specific consequent risks related to the occurrence of COVID-19 that have materialized include:

- Many of our clients' business operations have been negatively impacted due to the economic downturn - resulting in postponement, termination, suspension of some ongoing projects with us and/or reduced demand for our services and solutions;
- Our ability to continue to deliver service delivery obligations while our employees work from home are sometimes constrained by contractual terms with our clients and are therefore dependent on receiving the requisite approvals from them in time. Since few of our clients did not give us the required permissions, or there were delays in obtaining them, our service delivery was marginally disrupted, impacting our revenue and profitability;
- Restrictions on travel have marginally impacted our ability to assign and deploy people at required locations and times to deliver contracted services, thereby impacting our revenue and/or profitability;
- A small portion of revenue could not be recognized as we did not receive consent from clients for the work completed by our employees remotely on their projects;
- Our profitability may be marginally impacted as some clients have sought price reductions or discounts;
- Lower profitability and prolonged payment terms requests from clients can impact our cash flows negatively and may impact our ability to provide dividend to shareholders;
- Some of our clients or suppliers have invoked Force Majeure clauses in our contracts with them, negatively impacting our business with limited recourse;
- Our business continuity is marginally impacted as key geographies in which we operate imposed a lockdown and/or some of our development centers had to be temporarily shut down due to COVID-19 positive cases found in our campuses or shared campuses;
- We incurred unanticipated costs in ensuring our offices are safe and hygienic workplaces for our employees; and to enable employees to work from home;
- We incurred additional costs in procuring and deploying hardware assets and technology infrastructure and data connectivity charges for remote working.

While the above-mentioned risks have materialized to varied extent in the last financial year, their impact may continue in the next financial year as well. In addition to the above, other consequent risks related to the occurrence of COVID-19 that may materialize in future are:

- The financial stability of our clients may get affected or they may file for bankruptcy, jeopardizing our ability to collect our account receivables and unbilled revenue;
- Restrictions on travel, marketing events and in-person client meetings may result in sub-optimal branding and delays in our sales and commercial processes, affecting our revenue;
- Clients may invoke contractual clauses and/or levy penalties if we are unable to meet project quality, productivity and schedule service level agreements due to our employees working remotely;
- Our profitability may be negatively impacted if we are unable to eliminate fixed or committed costs in line with reduced demand. Additionally, any sudden change in demand may impact utilization in short term thereby impacting margins;
- Our profitability may be marginally impacted as some clients may dispute some of the existing work-in-process that has been recognized by us as unbilled revenues. This in turn can impact our cash flows negatively;
- Our exposure to cyber security and data privacy breach incidents may increase due to a large number of employees working remotely. This in turn can hinder our ability to continue services and/or operations, impacting revenue, profitability and reputation.
- The productivity of our employees may be negatively impacted due to isolated remote working from home, quarantine requirements, negative social sentiment and personal anxiety
- Our operations may get disrupted after the re-opening of our campuses and offices if any of our returning employees test positive for COVID-19;

- We could be subject to lawsuits from our employees alleging they are exposed to health risks as we transition them back to working from our or our client's offices.
- Our ability to procure goods and services may be impacted as some of our suppliers may not able to operate efficiently during a lockdown;
- Unfavorable currency movements during these times may impact our profitability;
- An increase in insurance premium on the regular policies that we avail may adversely impact our profitable growth or coverage;
- There could be heightened regional or macro risks such as an increase in unemployment, protectionism, immigration reform, extended recession in the economy, geo-political tension and social unrest;
- We had made offers to candidates to join Infosys. Our ability to honor these offers on a timely basis can get impacted which can negatively influence our brand;
- The uncertainty in demand as our clients deal with a prolonged economic impact of COVID-19 may cause us to implement severe cost control measures including reduction in employee bonuses. This could result in increased attrition of employees and/or a higher expenditure on recruitment and subcontracting services, thereby impacting our profitability;
- If the market price of our shares/ADS remain low due to a prolonged recession, the value of RSUs and the ability to achieve the performance targets of the PSUs we have given to our employees may reduce. This will impede our ability to retain our high performing employees;
- We have successfully invoked Business Continuity Procedures (BCP) post COVID-19 so far. If this remains prolonged, our BCP may see an impact if it experiences any breakdown;
- We could experience potential impairment of acquired entities and investments as a result of prolonged slower economic growth which can impact business momentum and synergies that were expected; and
- We may be unable to recoup the investments that we have made in various instruments due to the impact of prolonged economic downturn with consequential impact on liquidity in the sectors or the geographies in which we have invested.

I. Risks related to the markets in which we and our clients operate

Spending on technology products and services by our clients and prospective clients is subject to fluctuations depending on many factors, including both the economic and regulatory environment in the markets in which they operate.

The technology and IT budgets of our clients are frequently impacted as a result of economic slowdown or uncertainties in the markets in which they operate. Reductions in IT spending arising from or related to economic slowdown in the markets in which our clients operate have in the past adversely impacted, and may in the future adversely impact, our revenues, gross profits, operating margins and results of operations.

Increased regulation, changes in existing regulation or increased government intervention in the industries in which our clients operate may adversely affect the growth of their respective businesses and may reduce demand for our services or cause us to incur additional costs in our processes or personnel, thereby negatively affecting our business, results of operations and financial condition. For instance, clients in the financial services sector have been subject to increased regulation following the enactment of, and subsequent amendments to the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States; and clients in the healthcare industry could be impacted by amendments to or repeal of the U.S. Patient Protection and Affordable Care Act of 2010. Similarly, our clients may be subject to stringent compliance requirements, including privacy and security standards for handling data, which could impact the manner in which we provide our services.

Further, regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions.

Reduced or delayed IT spending may also lead to our clients cancelling ongoing projects with us, requesting pricing discounts or consolidating the technology service providers that they partner with. In the past such events have adversely impacted our utilization rates, the revenue earned per billed person month, the competitiveness of our proposals and our gross margins.

The COVID-19 crisis and the consequences arising from it may alter the budget priorities of our clients such that they may decide to delay discretionary projects. While increased adoption of cloud-based offerings, digital services and cyber security services may result in additional opportunities, we may need to alter our internal offerings, talent mobility and marketing efforts need to capture these opportunities.

Economic slowdown or other factors may affect the economic health of the United States, the United Kingdom, the European Union (EU), Australia or those industries where our revenues are concentrated.

Our revenues are concentrated in a few geographies and client industry segments. In fiscal 2020, 61.5%, 24.1% and 11.8% of our revenues were derived from projects in North America, Europe and the rest of the world, respectively. In fiscal 2020, we derived 31.5% of our revenues from the financial services and insurance industry.

Instability and uneven growth in the global economy has had an adverse impact on the growth of the IT industry in the past and may continue to impact it in the future. This instability also impacts our business and results of operations and may continue to do so in the future.

For instance, the United Kingdom exited the European Union on January 31, 2020 and has now entered an 11-month transition period during which it will negotiate a trade deal with the EU. If no trade deal is agreed and ratified by this time, then the UK faces the prospect of tariffs on exports to the EU. From an immigration perspective, effective January 1, 2021, free movement will end, and a new points-based immigration system will be in effect. If the economies of the United States, United Kingdom or the European Union weaken or growth remains uneven, including as a result of the uncertainty surrounding *Brexit*, our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability.

Any future global economic uncertainty, arising out of various factors including the COVID-19 pandemic impacting the financial services industry, retail, consumer goods, energy and manufacturing on which we depend for a substantial portion of our annual revenues, may result in the reduction, postponement or consolidation of IT spending, contract terminations, deferrals of projects or delays in purchases by our clients. This may lower the demand for our services or impact the prices that we can obtain for our services and consequently, adversely affect our revenues and profitability. For instance, the financial services industry was severely impacted by the economic crisis that started in 2008 in the United States, which led to the United States federal government taking over or providing financial support to many leading financial institutions and with some leading investment banks going bankrupt or being forced to sell themselves in distressed circumstances. We also depend on clients in the energy sector to generate our revenue. Any impact in the energy sector due to oil price volatility may lead to economic pressure on our clients and in turn impact our revenues/profitability. Some of the consequences of COVID-19 may include heightened nationalism and anti-outsourcing sentiments due to job losses in the key geographies of US and UK which may impact our growth and profitability. Heightened geo-political situations amongst the major economies may impact our ability to grow holistically across regions.

Our clients may operate in sectors which are adversely impacted by climate change

There is increased concern and awareness of risks resulting from climate change across industry sectors in which our clients operate. Our current or future clients in affected sectors may need to transition from climate impacting solutions to climate friendly solutions, resulting in transition or investment risks to their businesses. For instance, our clients in mining and oil exploration related businesses may come under severe financial stress due to investments in climate friendly solutions. This in turn may impede our ability to grow due to our exposure to such sectors. In addition, any societal pressure or adverse media publicity against companies that are exploiting climate impacting solutions may consequentially affect our reputation too if we are a significant service provider to such clients.

Our clients may be the subject of economic or other sanctions by governments and regulators in key geographies that we operate in, limiting our ability to grow these relationships, risking increased penalties and exposure of our business to consequential sanctions

We engage with clients in different geographies and sectors. Some of them could be operating in highly regulated sectors and/or geographies. Sanctions may be enforced on them or their key managerial personnel either before they become our clients or during the course of our work with them. While we take reasonable precautions to determine if a potential client is in the sanctioned list, our ability to screen and ensure we do not enter into contract with any such clients depends on the data available in the public domain or third party databases on sanctioned entities or personnel. If a client is subject to sanctions during the course of our work with them, such engagements may expose us to consequential sanctions, administrative action or loss of any government contracts or engagements.

A large part of our revenues are dependent on our limited number of clients, and the loss of any one of our major clients could significantly impact our business.

We have historically earned and believe that in the future we will continue to earn, a significant portion of our revenues from a limited number of clients. In fiscal 2020, our largest client accounted for 3.1% of our total revenues, and our ten largest clients together accounted for 19.2% of our total revenues. The volume of work we perform for different clients may vary from year to year depending on the discretion of our clients. Thus, a major client in one year may not provide the same level of revenues in a subsequent year. There are a number of factors, other than our performance, that could cause the loss of a client or reduction of business from a client. In certain cases, our business may be impacted when a large client either changes its outsourcing strategy by moving more work in-house or replacing its existing software with packaged software supported by the licensor. Reduced technology spending in response to a challenging economic or competitive environment or as a consequence of the current pandemic may also result in loss of a client or part of the business from the client. If we lose one of our major clients or if one of our major clients significantly reduces its volume of business with us, our revenues and profitability could be adversely affected.

Financial stability of our clients may fluctuate owing to several factors such as the demand and supply challenges, currency fluctuations and other macroeconomic condition which may adversely impact our ability to recover fees for the services rendered to them

The business challenges and pressures resulting from the economic slowdown in the markets in which our clients operate could affect their ability to pay their vendors on time resulting in a downward revision of their credit ratings and their ability to raise funds. This may have a cascading effect on our credit terms with them, leading to adverse impact on our cash flow and results of operations. While we take adequate precautions to evaluate the credit risks and qualify clients before we onboard them and periodically by checking data available in various public domains including credit default swaps and ratings given by leading agencies, any sudden variation in the financial health of the clients organization owing to macro-economic or geo-political factors or global challenges such as an economic recession, the COVID-19 pandemic, and natural calamities may adversely affect our ability to recover the fees for the services rendered from them.

We may not be able to provide end-to-end business solutions for our clients, which could lead to clients discontinuing their work with us, which in turn could harm our business.

In recent years, we have been expanding the nature and scope of our client engagements by extending the breadth of solutions and services that we offer, which include, for example, software applications, automation solutions, digital design and analytics services, engineering services, cloud related services, application development and maintenance, consulting, business process management, systems integration and security and infrastructure management.

The increased breadth of our service offerings may result in larger and more complex client projects. This will require us to establish closer relationships with our clients and potentially with other technology service providers and vendors and require a more thorough understanding of our clients' operations. Our ability to establish these relationships will depend on a number of factors including the proficiency of our technology professionals and our management personnel. Thus, if we are unable to attain a thorough understanding of our clients' operations, our service offerings may not effectively meet client needs and jeopardize our client engagements, which may negatively impact our revenues and financial condition.

Larger projects often involve multiple components, engagements or stages, and a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements for various reasons unrelated to the quality of our services and outside of our control, such as the business or financial condition of our clients or the economy in general. These terminations, cancellations or delays may make it difficult to plan for project resource requirements, which may have a negative impact on our profitability.

Additionally, the business departments of our clients are increasingly making or influencing technology-related buying decisions. If we are unable to establish business relationships with these new buying centers, or if we are unable to articulate the value of our technology services to these business functions, our revenues may be adversely impacted.

Intense competition in the market for technology services could affect our win rates and pricing, which could reduce our market share and decrease our revenues and/or our profits.

Our revenues and profits depend, in part, upon the continued demand for our services by our existing and new clients and our ability to meet this demand in a competitive and cost-effective manner. The technology services market is highly competitive. Our competitors include large global consulting firms, India-based technology services firms, software and solution providers, niche service providers and in-house IT departments of large corporations.

The technology services industry is experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. These changes may result in larger competitors with significant resources or competitors with more competitive service offerings in emerging areas of demand, such as digital design, cloud-based solutions and cyber security. In addition, some of our competitors have added offshore capabilities to their service offerings. These competitors may be able to offer their services using the offshore and onsite model more efficiently. Many of these competitors are also substantially larger than us and have significant experience with international operations. We may face competition in countries where we currently operate, as well as in countries in which we expect to expand our operations. We also expect additional competition from technology services firms with current operations in other countries, such as China and the Philippines. Many of our competitors have significantly greater financial, technical and marketing resources, generate greater revenues, have more extensive existing client relationships and technology partnerships and have greater brand recognition than we do. We may be unable to compete successfully against these competitors or may lose clients to these competitors. Additionally, our ability to compete effectively also depends in part on factors outside our control, such as the price at which our competitors offer comparable services, and the extent of our competitors' responsiveness to their clients' needs.

Moreover, our ability to maintain or increase pricing is restricted as clients often expect that as we do more business with them, they will receive volume discounts or lower rates. In addition, existing and new customers are also increasingly using third-party consultants with broad market knowledge to assist them in negotiating contractual terms. Any inability to maintain or increase pricing on account of this practice may also adversely impact our revenues, gross profits, operating margins and results of operations. Further the COVID-19 pandemic may have an adverse impact on our ability to increase pricing for our services as many countries have imposed lock downs leading to economic downturns which may lead certain customers to negotiate the existing contracts with us.

Our engagements with clients are typically singular in nature and do not necessarily provide for subsequent engagements.

Our clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific projects, rather than on a recurring basis under long-term contracts. Although a substantial majority of our revenues are generated from repeat business, which we define as revenues from a client who also contributed to our revenues during the prior fiscal year, our engagements with our clients are typically for projects that are singular in nature. Therefore, we must seek out new engagements when our current engagements are successfully completed or terminated, and we are constantly seeking to expand our business with existing clients and secure new clients for our services. In addition, in order to continue expanding our business, we may need to significantly expand our sales and marketing group, which would increase our expenses and may not necessarily result in a substantial increase in business. If we are unable to generate a substantial number of new engagements for projects on a continual basis, our business and results of operations would likely be adversely affected. Additionally, COVID-19 may lead to clients relooking at their spend as a result of which they may decide not to extend/renew business with us due to their own business challenges.

II. Risks related to the investments we make for our growth

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries on which we focus.

The technology services market is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may fail to anticipate or respond to these advances on a timely basis, or, if we do respond, the services or technologies that we develop may not be successful in the marketplace. We have recently introduced, and propose to introduce, several new solutions involving artificial intelligence (AI)-based automation, robotic process automation, blockchain, IoT, autonomous vehicles and other technologies. The complexity of these solutions, our inexperience in developing or implementing them and significant competition in the markets for these solutions may affect our ability to market these solutions successfully. In addition, the development of some of the services and technologies may involve significant upfront investments and the failure of these services and technologies may result in our inability to recoup some or all of these investments. Further, better or more competitively priced products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

The COVID-19 pandemic and the resultant economic downturn may result in reduced expenditure by Infosys on ideating, incubating, developing and marketing new service offerings. This may in turn affect our long-term growth prospects.

We may be unable to recoup investment costs incurred in developing our software products and platforms.

The development of our software products and platforms requires significant investments. The markets for our suite of software products and platforms are competitive. Our current software products and platforms or any new software products and platforms that we develop may not be commercially successful and the costs of developing such new software products and platforms may not be recouped. Since software product and platform revenues typically occur in periods subsequent to the periods in which the costs are incurred for the development of such software products and platforms, delayed revenues may cause periodic fluctuations in our operating results.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We seek to acquire or make strategic investments in complementary businesses, new and emerging technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business.

It is possible that we may not be able to identify suitable acquisitions, candidates for strategic investment or strategic partnerships, or if we do identify suitable targets, we may not complete those transactions on terms commercially acceptable to us. Our inability to identify suitable acquisition targets or investments or our inability to complete such transactions may affect our competitiveness and growth prospects.

Even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or the target may be acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we could:

- issue equity securities which would dilute current shareholders’ percentage ownership;
- incur substantial debt;
- incur significant acquisition-related expenses;
- assume contingent liabilities; or
- expend significant cash.

These financing activities or expenditures could harm our business, operating results and financial condition or the price of our equity shares and ADSs. Alternatively, due to possible difficulties in the capital and credit markets, we may be unable to secure capital on acceptable terms, if at all, to complete acquisitions.

Moreover, even if we do obtain benefits from acquisitions in the form of increased sales and earnings, there may be a delay between the time when the expenses associated with an acquisition are incurred and the time when we recognize such benefits.

Further, if we acquire a company, we could have difficulty in assimilating that company’s personnel, operations, products, services, solutions, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition, the ongoing COVID-19 pandemic with a consequential prolonged downturn in the economy may impact our ability to grow acquired entities, which could result in reduction of their valuations.

We have made, and may in the future make, strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not generate expected returns if the demand, supply and cash flow of these companies are adversely affected due to COVID-19. The lack of profitability of any of our investments could have a material adverse impact on our operating results.

Goodwill that we carry on our Balance Sheet could give rise to significant impairment charges in the future.

Goodwill is subject to impairment review at least annually. Impairment testing under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board may lead to impairment charges in the future. Any significant impairment charges could have a material adverse effect on our results of operations.

III. Risks related to our cost structure

Our expenses are difficult to predict and can vary significantly from period to period, which could cause our share price to decline.

A significant part of our total operating expenses, particularly expenses related to personnel and facilities, are fixed in advance for any particular period. As a result, unanticipated variations in the number and timing of our projects, employee utilization rates, or the accuracy of our estimates of the resources required to complete ongoing projects or uncertain economic situations arising out of various factors including the COVID-19 pandemic may cause significant variations in our operating results in any particular period. There are also a number of factors that are not within our control that could cause fluctuations in our operating results from period to period. Our profitability could be affected by pricing pressures on our services, competitiveness for digital capabilities, volatility of the exchange rates between the Indian rupee, the U.S. dollar, and other currencies in which we generate revenues or incur expenses, increased wage pressures in India and at other locations where we maintain operations, increases in taxes or the expiration of tax benefits, the size and timing of facilities expansion and the resulting depreciation and amortization costs, economic downturn induced by the COVID-19 pandemic, or changes in immigration laws in our key markets that would restrict offshore outsourcing or restrict the availability of certain visas thereby limiting our ability to staff the projects in a timely manner and generate revenues. Further, investments towards our localization strategy and any increase in visa costs or increase in salaries payable to visa-dependent employees onsite would increase our cost of doing business onsite significantly, which would impact our profitability.

While we seek to manage costs efficiently, if the proportion of our services delivered at client sites increases, we may not be able to keep our operating costs as low in the future, which would also have an adverse impact on our profit margins. Additionally, we have recently opened technology and investment hubs in the United States. Increased hiring of personnel within these hubs along with staff for enabler functions and the management team may increase our cost of doing business and thereby have an adverse impact on our profit margins. Our cost of operations is higher at onsite compared to offshore and hence we maintain most of our bench offshore. Due to COVID-19, our clients may decide to reduce business with us. Inability to move people to offshore in such a situation due to travel lockdowns can impact our cost structure.

Furthermore, in the past, our profit margin has been adversely impacted by the expiration of certain tax holidays and benefits in India, and we expect that it may be further adversely affected as additional tax holidays and benefits expire in the future.

In addition, due to competitive market conditions and pricing pressures, we are committing to higher productivity improvements in our contracts with our clients. Any failure to realize such anticipated productivity improvements either due to our inability to identify areas to automate, optimize processes, effectively address service delivery risks or manage customer requirements may impact our profitability. Any increase in operating expenses not offset by an increase in pricing or any acquisition with a lower profitability could impact our operating margins. Unplanned expenditure incurred during pandemic like situation may adversely affect our profitability.

Any inability to manage our growth could disrupt our business, reduce our profitability and adversely impact our ability to implement our growth strategy.

Our employee base grew significantly in the recent periods. Between March 31, 2016 and March 31, 2020, our total employee count grew from 194,044 to 242,371 representing a compounded annualized growth rate of 5.7%.

In addition, in the last few years we have undertaken and continue to undertake major expansions of our existing facilities, as well as the construction of new facilities globally. We expect our growth to place significant demands on our management team and other resources. Our growth will require us to continuously develop and improve our operational, financial and other internal controls globally. Inadequate financial controls may increase the possibility of fraud and/or negatively impact the accuracy of our financial reporting and shareholder relationships. In addition, continued growth increases the challenges involved in:

- recruiting, training and retaining sufficient skilled technical, marketing & management personnel;
- adhering to and further improving our high quality and process execution standards;
- preserving our culture, values and entrepreneurial environment;
- successfully expanding the range of services offered to our clients;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- maintaining high levels of client satisfaction; and
- maintaining an effective internal control system and training our employees to mitigate the risk of individuals engaging in unlawful or fraudulent activity, breaching contractual obligations, or otherwise exposing us to unacceptable business risks.

Our growth strategy relies on expanding our operations around the world. The costs involved in entering and establishing ourselves in new markets, and expanding such operations, may be higher than expected and we may face significant competition in these regions. Our inability to manage our expansion and related growth in these markets or regions may have an adverse effect on our business, results of operations and financial condition.

We may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations.

Our organizational structures, processes and culture may not be sufficiently agile and adaptive to embrace the changes required to execute our strategy.

Wage pressures in India and the hiring of employees outside India may prevent us from sustaining some of our competitive advantage and may reduce our profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive strengths. Although a vast majority of our current workforce is based in India, we have recently increased and expect to continue to increase hiring in other jurisdictions, including the United States, the United Kingdom, Continental Europe and Australia. This increase has been driven, in part, by recent indications that immigration regulations in these countries could undergo significant changes. Such hiring has resulted and could further result in overall increased wage costs thereby impacting profitability.

Further, in certain jurisdictions in which we operate, legislations have been proposed that requires our employees working on visas in such jurisdictions to earn the same wages as residents or citizens of such jurisdiction which we have complied with. In case such legislative proposals are adopted by other jurisdictions, our operating costs will go up.

Additionally, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We have historically experienced significant competition for employees from large multinational companies that have established and continue to establish offshore operations in India, as well as from companies within India. This competition has led to wage pressures in attracting and retaining employees, which could result in increased costs for companies seeking to employ technology professionals in India, particularly project managers and other mid-level professionals.

We may need to increase our employee compensation more rapidly than in the past to be able to attract and retain employees skilled in newer technology areas or to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. In certain years, the Company may issue incentive compensation plans including stock-based compensation plans to its employees and management. Any compensation increases in the future may result in higher operating costs and lower profitability. In certain years, we may not give wage increases due to adverse market conditions while our competitors may still give wage increases. This may result in higher attrition rates and may impact our ability to hire highly skilled technology professionals.

We are investing substantial cash assets in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

As of March 31, 2020, we had contractual commitments of $180 million for capital expenditures, including commitments related to the expansion or construction of facilities. We may encounter cost overruns or project delays in connection with expansion of existing facilities and construction of new facilities. Expansions of existing facilities and construction of new facilities will increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be adversely impacted.

Shifting business and operating models due to the COVID-19 pandemic to working from home may possibly reduce use of some of physical infrastructure. Continued incurrence of operational cost to maintain these facilities may adversely affect our profitability.

Currency fluctuations and declining interest rates may affect the results of our operations.

Our functional currency is the Indian rupee and we incur a significant portion of our expenses in Indian rupees.

However, we generate the majority of our revenues in foreign currencies, such as the U.S. dollar or the Euro, the Australian dollar, and the United Kingdom, Pound Sterling, through our sales in the United States and elsewhere. We also purchase from overseas suppliers in various currencies. As a result of the increased volatility in the foreign exchange currency markets, there may be demand from our clients that the impact associated with foreign exchange fluctuations be borne by us. Also, historically, we have held a substantial majority of our cash funds in Indian rupees. We expect that a majority of our revenues will continue to be generated in foreign currencies, including the U.S. dollar, the Euro, the Australian dollar and the United Kingdom, Pound Sterling, for the foreseeable future and that a significant portion of our expenses, including personnel costs, as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of sales, gross margin and net income, and may have a negative impact on our business, operating results and financial condition. For example, during fiscal 2020, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and the U.S. dollar, affected the Company’s incremental operating margins by approximately 0.45%.

We use derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange exposures. Our purchase of these derivative instruments, however, may not be adequate to insulate ourselves from foreign currency exchange risks.

We may incur losses due to unanticipated or significant intra quarter movements in currency markets which could have an adverse impact on our profit margin and results of operations. Also, the volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively.

Further, the policies of the Reserve Bank of India (“RBI”) may change from time to time which may limit our ability to hedge our foreign currency exposures adequately. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the rupee and foreign currencies.

A majority of our investments are in India-based assets and are exposed to fluctuations in the interest rate environment in the country, which depends to a great extent on RBI monetary policy. Changes in RBI policy in the form of interest rate cuts could result in lower interest income and affect our profitability.

Adverse currency movements arising out of the COVID-19 pandemic may adversely impact our profitability.

IV. Risks related to our employee workforce

Our success depends largely upon our highly skilled technology professionals and our ability to hire, attract, motivate, retain and train these personnel.

Our ability to execute projects, maintain our client relationships and acquire new clients depends largely on our ability to attract, hire, train, motivate and retain highly skilled technology professionals, project managers and other mid-level professionals. If we cannot hire, motivate and retain personnel, our ability to bid for projects, obtain new projects, build and sell new service offerings or software platforms and expand our business will be impaired and our revenues could decline.

The availability of science and technology professionals in certain geographies where we operate or into which we choose to expand in the future may be inadequate to satisfy our demand requirements. This may also adversely impact our efforts to localize our workforce in these geographies. Any restrictions on immigration including arising from governmental response to the COVID-19 pandemic, may further affect our ability to compete for and provide services to clients in these jurisdictions. A continued economic downturn and loss of jobs in different countries due to the COVID-19 pandemic may result in reverse labor migration, thereby reducing the availability of talent in required geographies.

Increasing worldwide competition for skilled technology professionals and increased hiring by technology companies, particularly in India, may affect our ability to hire and retain an adequate number of skilled and experienced technology professionals.

Changes in policies or laws may also affect the ability of technology companies to attract and retain personnel. For instance, the central government or state governments in India may introduce legislation, which require employers to give preferential hiring treatment to under-represented groups. If any such central government or state government legislation becomes effective, our ability to hire adequate numbers of qualified technology professionals may be hindered.

Changing technology, industry needs and changing demography increases the need for hiring differently skilled and diversified talent. For instance, the new wave of digital services requires talent with differentiated skills in creative design, data science, statistical analysis, artificial intelligence and machine learning. The talent pools with such skills could be different from our traditional sources of recruitment. If we are unable to hire, retain, retrain and redeploy our technology professionals to keep pace with such continuing changes in technology, it may adversely affect our ability to bid for and obtain new projects and may have a material adverse effect on our business, results of operations and financial condition.

Our inability to integrate employees that we hire or acquire in different countries into our existing corporate culture may adversely impact the results of our operations. During fiscal 2020, there has been an increase in the number of employees we acquired.

In addition, if we are unable to increase compensation or if we reduce compensation or variable pay for our employees during the COVID-19 pandemic or for a significant period after the pandemic has ended, it may result in increased attrition and increased hiring cost to replace such employees.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the members of our Board of Directors (the “Board”), executive officers and other senior executive leaders. Our future performance and client relationships may be affected by any disruptions in the continued service of our directors and executive officers.

Competition for senior management in our industry is intense, and we may not be able to retain senior management personnel or attract and retain new senior management personnel in the future. Furthermore, we do not maintain key man life insurance for any of the senior members of our management team or other key personnel. The loss of any member of our senior management or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

V. Risks related to our contractual obligations

Our failure to complete fixed-price (including maintenance) and fixed-timeframe contracts, or transaction-based pricing contracts, within budget and on time, may negatively affect our profitability.

As an element of our business strategy, in response to client requirements and pressures on IT budgets, we are offering an increasing portion of our services on a fixed-price (including maintenance), fixed-timeframe basis, rather than on a time-and-materials basis. In the fiscal years ended March 31, 2020 and 2019, revenues from fixed-price (including maintenance), fixed-timeframe projects accounted for approximately 55% of our total revenues. In addition, pressure on the IT budgets of our clients has led us to deviate from our standard pricing policies and to offer varied pricing models to our clients in certain situations in order to remain competitive. For example, we are entering into transaction-based pricing contracts with certain clients who were not previously offered such terms in order to give our clients the flexibility to pay as they use our services.

The risk of entering into fixed-price (including maintenance), fixed-timeframe arrangements and transaction-based pricing arrangements is that if we fail to properly estimate the appropriate pricing for a project, we may earn lower profits or incur losses as a result of being unable to execute projects on the timeframe and with the amount of labor we expected. Although, we use our software engineering methodologies and processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price (including maintenance), fixed-timeframe projects and transaction-based pricing projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to estimate accurately the resources and time required for a project, future wage inflation rates, or currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our profitability may suffer. We expect that we will continue to enter into fixed-price (including maintenance), fixed-timeframe and transaction-based pricing engagements in the future, and such engagements may increase in relation to the revenues generated from engagements on a time-and-materials basis, which would increase the risks to our business.

Our client contracts can typically be terminated without cause, which could negatively impact our revenues and profitability.

Our clients typically retain us on a non-exclusive, project-by-project basis. Many of our client contracts, including those that are on a fixed-price (including maintenance), fixed-timeframe basis, can be terminated with or without cause, between zero and 90-days' notice. Our business is dependent on the decisions and actions of our clients, and there are a number of factors relating to our clients that are outside of our control, which might lead to termination of a project or the loss of a client, including:

- financial difficulties for a client including limited access to the credit markets, insolvency or bankruptcy;
- a change in strategic priorities, resulting in a reduced level of technology spending;
- a demand for price reductions; or an unwillingness to accept higher pricing due to various factors such as higher wage costs, higher cost of doing business;
- a change in outsourcing strategy by moving more work to the client's in-house technology departments or to our competitors;
- the replacement by our clients of existing software with packaged software supported by licensors;
- mergers and acquisitions;
- consolidation of technology spending by a client, whether arising out of mergers and acquisitions, or otherwise; or
- sudden ramp-downs in projects due to an uncertain economic environment or a pandemic like the COVID-19.

Our inability to control the termination of client contracts could have a negative impact on our financial condition and results of operations. The COVID-19 pandemic and a resulting prolonged economic downturn heighten the risk that certain of our customers may invoke termination clauses to reduce their expenditure which could in turn affect our growth and profitability.

Our client contracts are often conditioned upon our performance, which, if unsatisfactory, could result in lower revenues than previously anticipated.

A number of our contracts with our clients have incentive-based or other pricing terms that condition some or all of our fees on our ability to meet defined performance goals or service levels. In addition, certain client situations may require us to agree to higher contractual liability exposure limits. Our failure to meet these goals or a client's expectations in such performance-based contracts may not only result in a less profitable or an unprofitable engagement but may also result in penalties or fines impacting the overall financial health of the Company.

Our clients may seek more favorable terms from us in our contracts, particularly in connection with clauses related to the limitation of our liability for damages resulting from unsatisfactory performance of services. Further, any damages resulting from such failure, particularly where we are unable to recover such damages in full from our insurers, may adversely impact our business, revenues and operating margins.

Changed operating or working models to work from home, may impact our revenue productivity and quality of service due to a virtual mode of working. This may result in lower customer satisfaction and reduced revenue.

Some of our long-term client contracts contain benchmarking provisions which, if triggered, could result in lower future revenues and profitability under the contract.

As the size and duration of our client engagements increase, clients may increasingly require benchmarking provisions. Benchmarking provisions allow a client in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services to that of an agreed upon list of other service providers for comparable services. Based on the results of the benchmark study and depending on the reasons for any unfavorable variance, we may be required to reduce the pricing for future services performed under the balance of the contract, which could have an adverse impact on our revenues and profitability. Benchmarking provisions in our client engagements may have a greater impact on our results of operations during an economic slowdown, because pricing pressure and the resulting decline in rates may lead to a reduction in fees that we charge to clients that have benchmarking provisions in their engagements with us.

Our work with governmental agencies may expose us to additional risks.

Currently, the vast majority of our clients are privately or publicly owned. However, we are bidding for work with governments and governmental agencies, both within and outside the United States and India. Projects involving governments or governmental agencies carry various risks inherent in the government contracting process, including the following:

- Such projects may be subject to a higher risk of reduction in scope or termination than other contracts due to political and economic factors such as changes in government, pending elections or the reduction in, or absence of, adequate funding, or disputes with other government departments or agencies.
- Terms and conditions of government contracts tend to be more onerous than other contracts and may include, among other things, higher liability exposure to us for direct or indirect damages, extensive rights of audit, more punitive service level penalties and other restrictive covenants. Additionally, there are risks of delayed payments or change in the terms of such contracts due to political and economic factors and lack of timely closure of requirements.
- Government contracts are often subject to more extensive scrutiny and publicity than other contracts. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect our business and reputation. For example, reports appeared in Indian media regarding our association with the Goods & Services Tax (GST) project that negatively impacted our reputation.
- Participation in government contracts could subject us to stricter regulatory requirements, which may increase our cost of compliance.
- Such projects may involve multiple parties in the delivery of services and require greater project management efforts on our part, and any failure in this regard may adversely impact our performance.

In addition, we operate in jurisdictions in which local business practices may be inconsistent with international regulatory requirements, including anti-corruption and anti-bribery regulations prescribed under the U.S. Foreign Corrupt Practices Act (FCPA), and the U.K. Bribery Act 2010, which, among other things, prohibits giving or offering to give anything of value with the intent to influence the awarding of government contracts. Although we believe that we have adequate policies and enforcement mechanisms to ensure legal and regulatory compliance with the FCPA, the U.K. Bribery Act 2010 and other similar regulations, it is possible that any of our employees, subcontractors, agents or partners may violate any such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from U.S. federal procurement contracting. If we fail to comply with legal and regulatory requirements, our business and reputation may be harmed.

In several countries, our contracts with governments enable the design, development or support of critical governmental systems. The lockdowns resulting from the COVID-19 pandemic may affect our ability to support those critical systems and may impact our reputation.

VI. Risks related to our operations

Our reputation could be at risk and we may be liable to our clients or to regulators for damages caused by inadvertent disclosure of confidential information and sensitive data.

We are dependent on our information technology networks and systems to process, transmit, host and securely store electronic information and to communicate among our locations around the world and with our customers, suppliers and partners. We are often required to collect and store sensitive or confidential client data. Security breaches, employee misappropriation, unauthorized access, human or technological error could lead to potential unauthorized disclosure of sensitive data, which in turn could jeopardize projects that are critical to the operations of our clients’ businesses. The theft and/or unauthorized use or publication of our, or our clients, confidential information or other proprietary business information as a result of such an incident could adversely affect our reputation and competitive position. Any failure in the networks or computer systems used by us or our clients could result in a claim for substantial damages against us and significant reputational harm. Many of our client agreements do not limit our potential liability for breaches of confidentiality.

As a global service provider with clients in a broad range of industries, we often have access to or are required to manage, utilize, collect and store sensitive data subject to various regulatory regimes, including but not limited to U.S. federal and state laws governing the protection of personal financial and health and the European Union's General Data Protection Regulation, which superseded the European Union Directive on Data Protection in May 2018. These laws and regulations are increasing in complexity and number and change frequently. Scope and coverage of these regulations are vast and include various stakeholders that do not necessarily restrict applicability to a certain geography in which we operate, which may result in greater compliance risk and cost. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or Infosys data, or otherwise mismanages or misappropriates that data, we could be subject to significant litigation, monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions in addition to significant damage to our reputation. The monetary damages might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches. Many of our contracts involve projects that are critical to the operation of our clients’ businesses and provide benefits which may be difficult to quantify.

Any failure in a client’s system or breaches of security, regardless of our responsibility for such failure, could result in a claim for substantial damages against us and force us to incur significant expense for our defense or could require that we pay large sums in settlement. If unauthorized access to or disclosure of such data in our possession or control occurs or we otherwise fail to comply with applicable laws and regulations in this regard, we could be exposed to civil or criminal enforcement actions and penalties in connection with any violation of applicable data protection laws, as well as lawsuits brought by our clients, our clients’ clients, their clients or others for breaching contractual confidentiality and security provisions or data protection laws. Laws and expectations relating to data protections continue to evolve in ways that may limit our access, use and disclosure of sensitive data, and may require increased expenditures by us or may dictate that we not offer certain types of services.

The changed operating model to working from home due to the COVID-19 pandemic may increase the risk of confidential data breach as our employees will be accessing these data from home. While we have taken measures to implement suitable automated controls and educate our employees on the importance of security and the need to adhere to the highest levels of security standards, we may not be able to prevent all data breaches, there by resulting in loss of reputation or adverse financial impact due to resultant penalties or fines.

Our reputation could be at risk and we may be liable to our clients for damages caused by cyber security incidents

Our cybersecurity governance program has implemented multi-layered security solutions, along with security policies and procedures developed based on applicable cybersecurity frameworks and standards. We have made significant investments in enhancing our cybersecurity capabilities and improving our security posture. Critical internal as well as client operations typically are undertaken from isolated environments in an effort to provide adequate cybersecurity. This in turn reduces the probability of the spread of threats between Infosys and its client landscapes should there be a breach in either of the environments. Our multi-layered security process and technology controls vastly help in this regard.

Despite these measures, we and our third-party service providers may still be the target of cybersecurity attacks especially due to prolonged changes to the working model arising out of the COVID-19. Our systems and measures may not be able to successfully detect and prevent cybersecurity breaches and other information security incidents. Cyber threats are evolving quickly, and we may be unable to adapt our threat detection and prevention measures to detect or prevent new, modified, or evolving threats on an ongoing basis.

We and our third-party service providers may suffer cybersecurity breaches and other information security incidents due to a multitude of factors, including the following:

- insider threats;
- hackers and other state or non-state actors with an intent to cause harm to us or our clients (including, for example, our governmental clients and our clients in sensitive industry segments such as financial services or healthcare);
- human error and inadvertent actions by our employees and contractors; or
- malware, ransomware, viruses, worms, and similar threats, including the potential for infection spreading between environments;
- increased threat surface due to remote working employees due to the COVID-19 pandemic.

We believe the risks presented by cybersecurity breaches and other information security incidents will increase as we scale, grow our cloud-based offerings and services, store and process increasingly large amounts of our client’s data and host or manage parts of our client’s businesses, especially in industries involving sensitive data such as the financial services and healthcare industries. By virtue of our business presence across continents, any alleged or actual non-compliance with our obligations relating to cybersecurity and information security in any applicable jurisdictions could lead to regulatory investigations, claims, litigation, and potentially significant damages, fines, penalties, and other liability.

Cybersecurity breaches and other data security incidents could cause or lead to a material adverse impact on our current or future business, operations, and financial performance, especially in cases where critical systems, or numerous systems, are impacted, resulting in partial to complete disruption of intended business delivery; or due to unauthorized access to, or loss, corruption, or theft of, intellectual property, personal data, or sensitive information. If we or any of our third-party service providers suffer a cybersecurity breach or other data security incident, or if any such breach or incident is believed to have occurred, we could face potential claims and litigation, regulatory investigations and inquiries, damages, fines, penalties, and other liability, substantial harm to our reputation, a loss of business, and potentially significant costs to investigate, remediate, and otherwise address the breach or other incident. We also could face increased costs in an effort to prevent additional cybersecurity breaches or other information security incidents in the future.

Our cyber insurance covers first party losses that occur due to a cyber-incident wherein losses include cost of forensics, appointing a crisis consultant and data restoration. The insurance also provides for business interruption losses that the Company might have to incur as a result of a system shutdown due to a cyber-incident. Our insurance may not be adequate to cover all losses in connection with any cybersecurity breach or other incident, and we cannot be certain that our present coverage, or any future coverage we may obtain, will remain available to us on commercially reasonable terms or at all.

Our reputation could be at risk and we may incur financial liabilities if privacy breach incidents under General Data Protection Regulation (GDPR) adopted by the European Union or other similar regulations across the globe are attributed to us and if we are not able to take necessary steps to report such incidents to regulators within the stipulated time. Further, any claim from our clients for losses suffered by them due to privacy breaches caused by our employees may impact us financially and affect our reputation.

In the European Union, the GDPR replaced prior European Union data protection law as of May 25, 2018. The GDPR imposes additional obligations and risk upon our business and increases substantially the penalties to which we could be subject in the event of any non-compliance, such penalties can be 4% of worldwide annual revenue or €20 million, whichever is greater. We have incurred substantial expense in complying with the obligations imposed by the GDPR and we may be required to make significant changes in our business operations in connection with compliance with the GDPR, all of which may adversely affect our revenue and our business overall. Additionally, because the GDPR contains a number of obligations that differ from previously effective data protection legislation in the European Union, and because the GDPR’s enforcement history is limited, we are unable to predict how certain obligations under the GDPR may be applied to us. Despite our efforts to attempt to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

The number of data privacy incidents arising from our operations may increase with the scale of our business or as we enable remote working for our employees due to the COVID-19 pandemic. Further, more of our work may come under the ambit of privacy regulations as more countries adopt regulations similar to the GDPR. Despite our best efforts, if any breach of data privacy occurs and any actual or perceived failure on the part of any of our systems, employees or partners to report incidents on time may expose us to significant liability for breach of regulation.

We have established an independent Data Privacy Office to formulate, implement and monitor controls necessary for ensuring data privacy protection. This is a multi-layered program working with a cross section of stakeholders reporting to a senior executive. We are constantly assessing our liabilities as processors and controllers and implementing controls where required to mitigate the risks. We have formulated policies and procedures for identifying and reporting privacy breaches to internal authorities or to regulators (as required) within the stipulated time. In addition to implementing controls and monitoring, we are protected by insurance to some extent in the case of any eventuality. We run extensive education and awareness programs across the organization for all employees with respect to data privacy and information security.

We may be the subject of litigation which, if adversely determined, could harm our business and operating results.

We are, and may in the future be, subject to legal claims arising in the normal course of business. An unfavorable outcome on any litigation matter could require that we pay substantial damages, or, in connection with any intellectual property infringement claims, could require that we pay ongoing royalty payments or prevent us from selling certain of our products. In addition, we may decide to settle any litigation, which could cause us to incur significant costs. A settlement or an unfavorable outcome on any litigation matter could have a material adverse effect on our business, operating results, reputation, financial position or cash flows.

A prolonged economic downturn due to the COVID-19 pandemic and the resulting financial impact to our customers, vendors and other stakeholders along with other situation like cyber security threats, data breaches, contractual suspensions, delayed payments and similar other incidents may give rise to more litigations and disputes with our stakeholders resulting in additional cost, or loss of reputation if the same surfaces in the media.

Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business.

Our insurance policies generally cover loss or damage to insured property and loss due to business interruption following loss or damage to property. These policies cover our property and assets around the world, including all leased property. We also maintain insurance coverage for damage caused by disclosure of employee and client-related personally identifiable confidential information, system failures, errors or unsatisfactory performance of services to our clients in the event of a third-party claim citing damages or financial loss.

We believe we have taken sufficient insurance policies to cover ourselves from potential losses that we may be subject to. However, this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Also, an insurer might disclaim coverage as to any future claim. For example, certain insurers have indicated that they may disclaim coverage for business interruption related to COVID-19. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or that cause changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results. In addition, the COVID-19 pandemic increases the risk of claims arising out of various situations like errors & omissions, data breach etc., which could render the coverage taken inadequate. Increased claims could cause the insurance premium on our regular policies to be increased which could adversely affect our profitability.

Also, losses arising from events not covered by insurance policies, could materially harm our financial condition and future operating results. There can be no assurance that any claims filed under our insurance policies will be honored fully or timely. Our financial condition may be materially and adversely affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage.

The markets in which we operate are subject to the risk of earthquakes, floods, tsunamis, storms, pandemics and other natural and manmade disasters.

Some of the regions that we operate in are prone to earthquakes, floods, tsunamis, storms, pandemics and other natural and manmade disasters. In the event that any of our business centers or the telecommunications networks that our business depends on are affected by any such disasters, we may incur costs in redeploying personnel and property, sustain damage to our operations and properties, suffer significant financial losses or be unable to complete our client engagements in a timely manner, if at all.

In addition, if such disasters occur in any of the locations in which our significant customers are located, we face the risk that our clients may incur losses or sustain business interruption, which may materially impair our ability to provide services to our clients and may limit their ability to continue their purchase of products or services from us. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The safety of our employees, assets and infrastructure may be affected by untoward incidents beyond our control, impacting business continuity or reputation.

The health and safety of our employees or those working on our behalf or those present in our offices, and the security of our physical infrastructure may be affected due to acts of violence or vandalism by anti-social elements or the emergence of a disease pandemic. Although we take protective measures to ensure the safety of our employees at our global locations of work and transit, incidents of organized political demonstrations, civil unrest, random acts of rage or a public health crisis can affect the safety of our assets and employees, impacting business continuity or reputation or exposing us to lawsuits from employees.

Currently, we have presence in 220 locations across 46 countries. Our global development centers are linked with a telecommunications network architecture that uses multiple service providers and various satellite and optical links with alternate routing. While we believe we have put in place adequate infrastructure and business continuity plans to handle disruption in services due to failure in our communication network, our operations and service delivery may be impacted if such networks are affected by disasters.

As an international company, our offshore and onsite operations may also be impacted by disease, epidemics and local social instability, which could have a material adverse effect on revenues and profitability.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war have the potential to directly impact our clients or us. To the extent that such attacks affect or involve the United States or Europe, our business may be significantly impacted, as the majority of our revenues are derived from clients located in the United States and Europe. In addition, events of terrorism or threat of warfare in other parts of the world could cause geo-political instability, which in turn may impact our clients or impact our ability to execute projects. Such attacks may destabilize the economic and political situation in India and other countries where we have large operations making it more difficult to obtain work visas and plan travel for many of our technology professionals who are required to work in the United States or Europe. Such obstacles to business may increase our expenses and negatively affect the results of our operations. Furthermore, any attacks in India could cause a disruption in the delivery of our services to our clients, and could have a negative impact on our business, personnel, assets, results of operations and could cause our clients or potential clients to choose other vendors for the services we provide.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. There have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. Further, Pakistan has sometimes experienced significant instability and this has heightened the risks of conflict in South Asia. Military activity or terrorist attacks in the future could hurt the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

Heightened geo-political conflicts arising out of the COVID-19, may affect our ability to operate in these geographies. In addition, any prolonged conflict may delay the economic recovery from the pandemic, compounding any adverse impact to our business.

Climate change risks are increasingly manifesting in our business operations through physical risks and transitional (market and compliance) risks, which if not managed adequately, can affect our operations and profitability.

There is increased focus on organizations to plan for Environmental, Social and Governance (ESG) risks arising out of climate change, environmental management practices and duty of care, work and safety conditions, respect for human rights, anti-bribery & corruption practices, and compliance to relevant laws & regulations. Risks related to these factors, except those related to climate change, are covered elsewhere in this document. Climate change related risks are discussed in this section. Extreme weather events due to climate change can lead to epidemics as well as business disruptions. We recognize that there are direct climate change impacts arising from (1) physical damage to our building infrastructure and other physical assets, (2) disruptions of the city's functional continuity such as the transport network and utilities in the cities that we operate that can severely hamper business continuity, and (3) a decrease in morale of employees due to extreme weather events.

Extreme weather events also bring-in very different problems depending on the type of calamity. For example, drought can bring increases in food prices, or shortages of certain foods; while events like Flooding can cause cholera, diarrhea, malaria, etc. Changes in the availability of natural resources like water, in regions where we operate could directly impact our operations and employee livelihood, which will impact our ability to do business and ensure business continuity. With large operating campuses in major urban cities, operating risks include disruption of power and water supply to our campuses due to extreme weather events, affecting business continuity.

In response to increasing awareness on climate change and other related socio-environmental issues, clients increasingly request for our emission performance or Carbon Disclosure Project (CDP) score during the RFP or bidding stage. This could translate into a filtering criterion or a strongly weighted parameter in the clients' decision-making process. If Infosys performance is not managed in these areas, it may adversely impact our ability to compete and win contracts. We respond to multiple sustainability supplier assessments from our clients including the CDP supply chain response every year.

Limiting the global temperature increase to well below 2°C, in order to avoid devastating impacts of climate change, both on life and assets, is something the scientific community and global leaders have agreed upon while signing the Paris Agreement. Parties to the Paris Agreement have already provided their Intended Nationally Determined Contribution (INDC), which outline the actions countries intend to take to cut greenhouse gas emissions. This in-turn could translate to emission reduction goals being passed on to businesses, including Infosys, in the form of new regulations enforcing a carbon tax or other emission reduction targets. Such new regulations can lead to increased cost of compliance. Furthermore, existing and new regulations may also increase our reporting and disclosure requirements and, therefore, increase the cost of compliance.

Risks resulting from potential violations or non-conformance with climate laws and regulations can impact our profitability through penalties and/or by limiting our ability to operate in certain geographies. It can also adversely impact our reputation and brand.

Negative media coverage and public scrutiny may divert the time and attention of our board and management and adversely affect our reputation and the prices of our equity shares and ADSs.

There is media coverage and public scrutiny of our business practices, policies and actions including negative, and in some cases, inaccurate posts or comments. Any future negative media coverage in relation to our business, our Board or senior management, regardless of the factual basis for the assertions being made, may adversely impact our reputation. In addition, responding to allegations made in the media can significantly divert the time and attention of our Board and senior management away from our business and disrupt the operation of the Company. The Company may not be able to respond publicly to certain comments in the media due to the obligations it has with its employees, clients or other stakeholders. Any unfavorable publicity may also adversely impact investor confidence and directly or indirectly cause the price of our equity shares and ADSs to decline.

If any of our employees, as independent individuals, engage in any acts that are perceived to be against the interests of the communities we operate in or that violate local regulations, and if such acts become the subject of mainstream and social media attention or regulatory scrutiny, then our reputation may be negatively impacted.

VII. Risks related to legislation and regulatory compliance

Due to the COVID-19 health crisis and the corresponding substantial increases in unemployment rates across certain countries in which we operate, including the United States, United Kingdom, European Union and Australia, governments have led and may in the future lead to the enactment of restrictive legislations that could limit companies in those countries from outsourcing work to us, or could inhibit our ability to staff client projects in a timely manner thereby impacting our revenue and profitability.

Our reliance on work visas for a significant number of technology professionals makes us particularly vulnerable to changes and variations in immigration laws as it affects our ability to staff projects with technology professionals who are not citizens of the country where the work is to be performed. Complying with changing immigration regulations could increase our employee costs, visa application and extension costs, costs related to compliance and audit. In addition, they could adversely affect the ability of our existing or new/ future visa-dependent employees from being deputed to work on client projects - thus impacting our current and future revenue. Before the COVID-19 health crisis, there had been an increase in the number of visa and visa renewal application rejections, predominantly in the U.S. As a result, we encountered delays and/or additional costs in managing such projects stemming from the uncertainty of whether key personnel could join in-country as needed both in terms of timing and the productivity/competency. We have seen similar actions in Australia with respect to revisions in their temporary visa program and in the U.K. with the government’s current policy focus on “net migration”.

Due to a vigorous focus on domestic (local) employment across many markets during the COVID-19 crisis, these restrictions are expected to increase substantially, resulting in increased expenses. The governments of many countries are expected to heighten adjudication standards for visa applications as well labor market tests as the economic impact of the crisis progresses. For example, in Australia, as of March 20, 2020, all temporary visa holders have been prohibited to enter the country. In the United States, on April 22, 2020, the U.S. President issued an Executive Order focused mostly on immigrant visas (“Green Cards”). While the Order did not significantly impact the Company, it also required that, within 30 days, a review of nonimmigrant (temporary) visa programs for the purpose of creating “other measures appropriate to stimulate the United States economy and ensure the prioritization, hiring, and employment of United States workers”. We anticipate that there will be action in furtherance of this order which will restrict access to temporary visas, such as, among others, H-1B, L-1 and optional practical training work permits for students, many of whom are employed by the company. These anticipated restrictions would incur additional cost in maintaining and renewing existing visas, thus resulting in additional expenses for our client delivery.

Additionally, the Acquired Rights Directive and certain local laws in European countries that implement the Acquired Rights Directive, such as the Transfer of Undertakings (Protection of Employees) Regulations, or TUPE, in the United Kingdom, allow employees who are dismissed as a result of “service provision changes”, which may include outsourcing to non-EU companies, to seek compensation either from the company from which they were dismissed or from the company to which the work was transferred. This could deter EU companies from outsourcing work to Infosys and could also result in us being held liable for redundancy payments to such workers. Any such event could adversely affect our revenues and operating results.

The immigration policies of the United Kingdom continue to evolve and the timeline to implement the proposed new immigration system remains January 1, 2021. As of this filing, this timeline has not been impacted by the COVID-19 crisis. Early indications are that the new system will not single out or impose unfavorable conditions on intra-company transfers that could impact our ability to staff employees in the UK. However, the costs of using the system continue to rise and the UK Government has recently announced an increase to the National Health Service (NHS) surcharge, applicable from October 2020. These costs, and any future cost increases, may impact our profitability.

It is also important to note that, from time to time, there has been publicity about negative experiences associated with offshore outsourcing, such as domestic job loss and theft and misappropriation of sensitive customer data, particularly involving service providers in India. Current or prospective customers may elect to perform certain services themselves or may be discouraged from utilizing global service delivery providers due to negative perceptions that may be associated with using global service delivery models or firms. Any slowdown or reversal of existing industry trends toward global service delivery would seriously harm our ability to compete effectively with companies that provide the majority of their services from within the country in which our customers operate.

Many countries throughout the European Union continue to implement new regulations to move into compliance with the EU Directive of 2014 to harmonize immigration rules for intracompany transferees in most EU Member States and facilitate the transfer of managers, specialists and graduate trainees both into and within the region. The changes have significant impacts on mobility programs and have led to new notification and documentation-retention requirements for companies sending service providers to EU countries.

Our international expansion strategy and our business, results of operations and financial condition may be materially adversely affected if changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations impair our ability to staff projects with professionals who are not citizens of the country where the work is to be performed.

New and changing regulatory compliance, corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of compliance.

We are subject to a variety of laws, regulations and industry standards in the countries in which we operate. These laws, regulations, and standards govern numerous areas that are important to our business, including, but not limited to, privacy, information security, labor and employment, immigration, data protection, import and export practices, marketing and communication practices. Such laws, regulations and standards are subject to changes and evolving interpretations and applications, and it can be difficult to predict how they may be applied to our business and the way we conduct our operations, especially as we introduce new solutions and services and expand into new jurisdictions. Any perceived or actual breach of laws, regulations and standards could result in investigations, regulatory inquiries, litigation, fines, injunctions, negative customer sentiment, impairment of our existing or planned solutions and services, or otherwise negatively impact our business.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure create uncertainty for our compliance efforts and may result in added compliance costs. India has witnessed sweeping changes to its corporate law regime over the past few years. The changes introduced by the Companies Act, 2013, the Securities and Exchange Board of India (SEBI), (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations) and the SEBI’s Insider Trading Regulations as amended from time to time are far-reaching and often untested and have added complexity to our corporate compliance regime. We are also increasingly subject to social regulations such as the UK Modern Slavery Act, 2015 and should there be any failure by our suppliers to abide by applicable regulations, including but not limited to those relating to human trafficking, we may face sanctions which could affect our reputation and our ability to provide services to our clients.

In connection with this Annual Report on Form 20-F for the fiscal year ended March 31, 2020, our management assessed our internal controls over financial reporting, and determined that our internal controls were effective as of March 31, 2020. However, we will undertake management assessments of our internal control over financial reporting in connection with each annual report, and any deficiencies uncovered by these assessments or any inability of our auditors to issue an unqualified opinion regarding our internal control over financial reporting could harm our reputation and the price of our equity shares and ADSs.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and an increasing amount of time and attention of management in ensuring compliance related activities.

In addition, it may become more expensive or more difficult for us to obtain director and officer liability insurance. Further, our Board members and executive officers could face an increased risk of personal liability in connection with their performance of duties and our regulatory reporting obligations. As a result, we may face difficulties attracting and retaining qualified Board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations, our business and reputation may be harmed.

The intellectual property laws of India do not give sufficient protection to software and the related intellectual property rights to the same extent as those in the United States. We may be unsuccessful in protecting our intellectual property rights. We may also be subject to third party claims of intellectual property infringement.

We rely on a combination of patent, copyright, trademark and design laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. However, the laws of India do not protect proprietary rights to the same extent as laws in the United States. While we take utmost care in protecting our intellectual property, our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information.

The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time consuming and costly. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increases, we believe that companies in our industry will face more frequent infringement claims. Defense against these claims, even if such claims are not meritorious, could be expensive and time consuming and may divert our management's attention and resources from operating our company. From time to time, third parties have asserted, and may in the future assert, patent, copyright, trademark and other intellectual property rights against us or against our customers. Our business partners may have similar claims asserted against them. Third parties, including companies with greater resources than us, may assert patent rights to technologies that we utilize in our business. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and be forced to develop non-infringing technology, obtain a license or cease selling the applications or products that contain the infringing technology. We may be unable to develop non-infringing technology or to obtain a license on commercially reasonable terms, or at all. An unfavorable outcome in connection with any infringement claim against us as a result of litigation, other proceeding or settlement, could have a material and adverse impact on our business, results of operations and financial position.

In addition, litigation initiated by non-practicing entities continues in the software industry. The non-practicing entities are business establishments that hold the patents and they seek monetary damages by alleging that a product feature infringes a patent. These non-practicing entities are also becoming more aggressive in their monetary demands and requests for court-issued injunctions. We intend to defend such claims. However, as with most litigation, the outcome is difficult to predict. Such lawsuits or claims may increase our cost of doing business and may potentially be extremely disruptive if the plaintiffs succeed in blocking the sales of our products and services.

We cannot be sure that the services and solutions that we offer to our clients do not infringe on the intellectual property rights of third parties. With increased working from home, due to the COVID-19 pandemic risk that some our employees may reuse intellectual property of different customers may increase notwithstanding the significant safeguards and policies preventing reuse. Any such instances may give rise to third party claims. These claims could harm our reputation, cause us to incur substantial costs or prevent us from offering some services or solutions in the future. Any related proceedings could require us to expend significant resources over an extended period of time. In most of our contracts, we agree to indemnify our clients for expenses and liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client.

Any claims or litigation in this area could be time-consuming and costly, damage our reputation and/or require us to incur additional costs to obtain the right to continue to offer a service or solution to our clients. If we cannot secure this right at all or on reasonable terms, or we cannot substitute alternative technology, our results of operations could be materially adversely affected. The risk of infringement claims against us may increase as we expand our industry software solutions and platforms and continue to develop and license our software to multiple clients.

In addition, we rely on third-party software in providing some of our services and solutions. If we lose our ability to continue using such software for any reason, including because it is found to infringe the rights of others, we will need to obtain substitute software or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such software, or to replace such software in a timely or cost-effective manner, could materially adversely affect our results of operations.

The software industry is making increased use of open source software in its development work. We also incorporate open source technology in our products and platforms which may expose us to liability and have a material impact on our product development and sales. The open source license may require that the software code in those components or the software into which they are integrated be freely accessible under open source terms and security vulnerabilities in open source software may adversely expose our product and result in financial claims against the company. While we take appropriate measures to comply with open source terms and assess the known security vulnerabilities, there is a possibility that third-party claims may require us to disclose our own source code to the public, to make the same freely accessible under open source terms or may result in potential financial impact if there is a claim due to unknown vulnerabilities. Any such requirement to disclose our source code or other confidential information related to our products could materially and adversely affect our competitive position, results of business operations, financial condition and relationships with clients.

Our net income would decrease if the government of India reduces or withdraws tax benefits and other incentives it provides to us or when our tax holidays expire, reduce or terminate.

Many of our development centers in India are registered as Special Economic Zones (SEZ). Under the SEZ Act, 2005, SEZ units which began providing services on or after April 1, 2005 are eligible for an income tax deduction of 100% of profits or gains derived from the export of services for the first five years from the financial year in which the unit has commenced the provision of services and 50% of such profits or gains for the five years thereafter. Up to 50% of such profits or gains is also available for a further five years’ subject to creation of a Special Economic Zone Re-investment Reserve out of the profit of the eligible SEZ units and utilization of such reserve by the Company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

As a result of these tax incentives, a portion of our pre-tax income has not been subject to tax. These tax incentives resulted in a decrease in our income tax expense of $383 million, $386 million and $321 million for fiscal 2020, 2019 and 2018, respectively, compared to the tax amounts that we estimate we would have been required to pay if these incentives had not been available. The per share effect of these tax incentives computed based on both basic and diluted weighted average number of equity shares for fiscal 2020 was $0.09, for fiscal 2019 was $0.09 and fiscal 2018 was $0.07, respectively. (adjusted for the September 2018 bonus issue).

If the government of India changes its policies affecting SEZs in a manner that adversely impacts the incentives for establishing and operating facilities in SEZs, our results of operations and financial condition may be adversely affected. In the event, Company is not able to utilize the SEZ reserve for investment in plant and machinery within the timeline specified under the Income Tax Act, Company will have to pay tax on the unutilized reserve following the expiry of year specified. This would result in increase of tax rate.

In India, changes in taxation law are announced on an annual basis when the Union Budget is presented. The Union Budget, 2015 had proposed to reduce the rate of corporate tax from 30% to 25% over the next four years in a phased manner starting from fiscal 2016, but the process of reducing the corporate tax rate would likely be accompanied by rationalization and removal of various kinds of tax exemption and incentives for corporate tax payers. For instance, under the Finance Act, 2016, no tax incentives shall be available to SEZ units commencing business activities on or after April 1, 2020. However, the Taxation and other Laws (Relaxation of Certain Provisions) Ordinance, 2020 dated March 31, 2020 has extended the date for commencement of operation for the SEZ units for claiming deduction under deduction 10AA of the Income Tax Act, 1961 to June 30, 2020 for the units which received necessary approval by March 31, 2020. Further the Finance Act, 2016 amended Section 80-IAB of the Income Act, 1961 whereby tax incentive shall not be available to an undertaking engaged in the development of SEZ where the specified activities commence on or after April 1, 2017. When our tax holidays expire, reduce or terminate, our tax expense will materially increase, reducing our profitability.

The Finance Act (“the Act”) 2018 has reduced the corporate tax rate to 25% (plus applicable surcharge and cess) for domestic companies whose total turnover or gross receipts have not exceeded 250 crore in fiscal year 2016-17. Further Finance Act 2019 has increased threshold limit of total turnover or gross receipts to 400 crore. The Act also discontinued the Education cess and Secondary and Higher education cess of 2% and 1%, respectively and introduced a new cess by the name Health and Education cess at the rate of 4%. Accordingly, the statutory tax rate for our company has increased to 34.944% from 34.608%.

With our growth of business in SEZ units, we may have to compute our tax liability under Minimum Alternate Tax (MAT) in future years as the tax liability under normal tax provisions may be lower as compared to MAT tax liability. MAT is computed on book profits. The Finance Act, 2017 increased the time limit for carry forward of MAT credit from 10 years to 15 years. Although MAT paid by us can be set off against our future tax liability, cash flows for intervening periods could be adversely affected.

The Taxation Law (Amendment) Act, 2019 has reduced effective rate of income tax under MAT provision from 21.5488% to 17.472%. Further Taxation Law (Amendment) Act 2019 has removed MAT provisions for the company opting for New Tax Regime under section 115BAA of Income Tax Act.

In the event that the government of India or the government of another country changes its tax policies in a manner that is adverse to us, our tax expense may materially increase, reducing our profitability.

The Finance Act, 2012 adopted the General Anti Avoidance Rules (GAAR). The Finance Act, 2015 deferred the implementation of GAAR by two years so as to implement it as part of a comprehensive regime to deal with the Organization for Economic Co-operation and Development's (OECD)'s Base Erosion and Profit Shifting (BEPS) project of which India is an active participant. Thus, GAAR provisions are applicable from fiscal 2018. Pursuant to GAAR, an arrangement in which the main purpose, or one of the main purposes, is to obtain a tax benefit and may be declared as an "impermissible avoidance arrangement" if it also satisfies at least one of the following four tests:

- The arrangement creates rights and obligations, which are not normally created between parties dealing at arm's length.
- It results in misuse or abuse of provisions of tax laws.
- It lacks commercial substance or is deemed to lack commercial substance.
- It is carried out in a manner, which is normally not employed for a bona fide purpose.

If any of our transactions are found to be impermissible avoidance arrangements under GAAR, our business, financial condition and results of operations may be adversely affected.

The Finance Act, 2015 had lowered the tax withholding rate on payment made to non-residents towards "royalty" and/or "fees for technical services" to 10% from 25%, subject to furnishing of Indian Permanent Account Number (PAN) by such non-residents. The Finance Act 2016 has amended Section 206AA to prescribe alternative documents to PAN as duly notified. However, a lower rate may apply if a Double Taxation Avoidance Agreement read along with Multilateral Instrument (MLI) exists. As we procure various software licenses and technical services from non-residents in the course of delivering our products and services to our clients, the cost of withholding tax on such purchase of software and services may be additional cost to us as the company may have to gross up for such withholding taxes.

Goods and Services Tax (GST), India's biggest tax reform, was enacted on July 1, 2017. GST replaces various indirect taxes levied by the State and Center with a unified tax. The major taxes subsumed into GST are Central Excise, Service tax, Central Sales Tax, Value added tax, Entry tax, Octroi, additional duty of customs, Entertainment Tax and Luxury Tax. Introduction of GST has increased the indirect tax compliance of the group as the concept of centralized registration and payment of taxes no longer exists under GST regime.

The Company has concluded Advance Pricing Agreement's ("APA") in multiple jurisdictions to bring in predictability of the Company's tax obligations in respect of its overseas operations. Any material changes to the critical assumptions underlying these APA's may have impact on taxes. Further, when these APA's expire, there is no certainty that they will be renewed. If renewed there is no certainty as to whether they will be on the same terms or on different terms.

We operate in jurisdictions that impose transfer pricing and other tax-related regulations on us, and any failure to comply could materially and adversely affect our profitability.

We are required to comply with various transfer pricing regulations in India and other countries. Additionally, we operate in several countries and our failure to comply with the local and municipal tax regime may result in additional taxes, penalties and enforcement actions from such authorities. In the event that we do not properly comply with the transfer pricing and tax-related regulations, our profitability may be adversely affected.

Changes in the policies of the government of India or political instability may adversely affect economic conditions in India generally, which could impact our business and prospects.

The government of India could change specific laws and policies affecting technology companies, foreign investment, currency exchange and other matters affecting investment in our securities which could adversely affect business and economic conditions in India generally, and our business in particular. We are dependent on RBI to pay all our forex expenses and also dividend. Any exchange controls regime impacting ability to remit monies will severely impact ability to deliver services and stock prices (dividend). If the Government of India changes its policies affecting SEZs in a manner that adversely impact the incentives for establishing and operating facilities in SEZs, our business, results of operations and financial condition may be adversely affected.

Political instability could also delay the reform of the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services.

Attempts to fully address concerns of activist shareholders may divert the time and attention of our management and Board of Directors and may impact the prices of our equity shares and ADSs.

Attempts to respond to activist shareholder queries and concerns in a timely manner and to their full satisfaction may divert the attention of our Board and management and require us to incur significant costs. Such shareholder interactions may also impact our reputation, affect client and investor sentiments and cause volatility in the price of our equity shares and ADSs.

Our international expansion plans subject us to risks inherent to doing business internationally.

Because of our global presence, we are subject to additional risks related to our international expansion strategy, including risks related to compliance with a wide variety of treaties, national and local laws, including multiple and possibly overlapping tax regimes, privacy laws and laws dealing with data protection, export control laws, restrictions on the import and export of certain technologies and national and local labor laws dealing with immigration, employee health and safety, and wages and benefits, applicable to our employees located in our various international offices and facilities. We may from time to time be subject to litigation or administrative actions resulting from claims against us by current or former employees, individually or as part of a class action, including for claims of wrongful termination, discrimination (including on grounds of nationality, ethnicity, race, faith, gender, marital status, age or disability), misclassification, redundancy payments under TUPE-type legislation, or other violations of labor laws, or other alleged conduct. If we are held liable for unpaid compensation, redundancy payments, statutory penalties, and other damages arising out of such actions and litigations, our operating profitability could be adversely affected.

Our ability to acquire companies organized outside India may depend on the approval of the RBI and / or the Government of India and failure to obtain this approval could negatively impact our business.

The RBI permits acquisitions of companies organized outside of India by an Indian party under the automatic route and without approval if inter alia, the transaction consideration is paid in cash, the transaction value does not exceed 400% of the net worth of the acquiring company as of the date of the acquiring company's latest audited balance sheet, if the acquisition is funded with cash from the acquiring company's existing foreign currency accounts or with cash proceeds from the issuance of ADRs / GDRs, or if the proposed acquisition structure falls under the permitted list. However, any financial commitment exceeding $1 billion or its equivalent in a financial year, or certain types of acquisition structures requires prior approval of the RBI under the approval route, even when the total financial commitment of the Indian company is within 400% of the net worth of the acquiring company as per the last audited balance sheet.

If we fail to obtain any required approval from the RBI or any other government agency for such acquisitions of companies organized outside India, our international growth may become restricted, which could negatively affect our business and prospects.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Indian law relating to foreign exchange management constrains our ability to raise capital outside India through the issuance of equity or convertible debt securities. Generally, any foreign investment in, or acquisition of, an Indian company does not require the approval from relevant government authorities in India, including the RBI. However, in a number of industrial sectors, there are restrictions on foreign investment in Indian companies. Changes to the policies may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies or pricing restrictions on the issuance of ADRs / GDRs may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

VIII. Risks related to the ADSs

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares. Currently, they do not do so, and they may not continue to do so in the future.

In the past, our ADSs have traded at a premium to the trading prices of our underlying equity shares on the Indian stock exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization previously represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference of some investors to trade dollar-denominated securities. We have completed three secondary ADS offerings which significantly increased the number of our outstanding ADSs. Also, over time, the restrictions on the issuance of ADSs imposed by Indian law have been relaxed. As a result, our ADSs do not command any premium currently and may not trade at a premium in the future.

In the past several years, our ADSs have been converted into equity shares in India as the premium on ADSs compared to equity shares has significantly narrowed. If a substantial amount of our ADSs are converted into underlying equity shares in India, it could affect the liquidity of such ADSs on the NYSE and could impact the price of our ADSs.

Sales of our equity shares may adversely affect the prices of our equity shares and ADSs.

Sales of substantial amounts of our equity shares, including sales by our insiders in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our equity shares, ADSs or our ability to raise capital through an offering of our securities. In the future, we may also sponsor the sale of shares currently held by some of our shareholders as we have done in the past, or issue new shares. We can make no prediction as to the timing of any such sales or the effect, if any, that future sales of our equity shares, or the availability of our equity shares for future sale, will have on the market price of our equity shares or ADSs prevailing from time to time.

The price of our ADSs and the U.S. dollar value of any dividends we declare may be negatively affected by fluctuations in the U.S. dollar to Indian rupee exchange rate.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the dollar conversion by Deutsche Bank Trust Company Americas, the Depositary with respect to our ADSs, of any cash dividends paid in Indian rupees on the equity shares represented by the ADSs.

Indian law imposes certain restrictions that limit a holder’s ability to transfer the equity shares obtained upon conversion of ADSs and repatriate the proceeds of such transfer which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.

Under certain circumstances, the RBI must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The RBI has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares may be sold. Additionally, except under certain limited circumstances, if an investor seeks to convert the rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain RBI approval for each such transaction. Required approval from the RBI or any other government agency may not be obtained on terms favorable to a non-resident investor or at all.

An investor in our ADSs may not be able to exercise pre-emptive rights for additional shares and may thereby suffer dilution of such investor’s equity interest in us.

Under the Indian Companies Act, 2013, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless such pre-emptive rights have been waived by three-fourths of the shareholders (based on percentage of shareholding in the company) voting on the resolution to waive such rights. Holders of ADSs may be unable to exercise pre-emptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933 as amended, or the Securities Act, is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to prepare and file such a registration statement and our decision to do so will depend on the costs and potential liabilities associated with any such registration statement, as well as the perceived benefits of enabling the holders of ADSs to exercise their pre-emptive rights, and any other factors we consider appropriate at the time. No assurance can be given that we would file a registration statement under these circumstances. If we issue any such securities in the future, such securities may be issued to the Depositary, which may sell such securities for the benefit of the holders of the ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of such securities. To the extent that holders of ADSs are unable to exercise pre-emptive rights granted in respect of the equity shares represented by their ADSs, their proportional interests in us would be reduced.

ADS holders may be restricted in their ability to exercise voting rights.

The SEBI Listing Regulations and the Indian Companies Act, 2013 provide that an e-voting facility must be mandatorily provided to all shareholder resolutions in accordance with prescribed procedure under the Companies Act, 2013. This may mean that ADS holders may be able to vote on our resolutions irrespective of where they are located or whether they are able to attend the meetings of shareholders. At our request, the Depositary will electronically mail to holders of our ADSs any notice of shareholders’ meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by ADSs. If the Depositary receives voting instructions from a holder of our ADSs in time, relating to matters that have been forwarded to such holder, it will endeavor to vote the securities represented by such holder’s ADSs in accordance with such voting instructions. However, the ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that holders of our ADSs will receive voting materials in time to enable such holders to return voting instructions to the Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted. There may be other communications, notices or offerings that we only make to holders of our equity shares, which will not be forwarded to holders of ADSs. Accordingly, holders of our ADSs may not be able to participate in all offerings, transactions or votes that are made available to holders of our equity shares.

ADS holders may be restricted in their ability to participate in a buy-back of shares offered by us.

Under Indian law, a company may acquire its own equity shares without seeking the approval of the court or tribunal in compliance with prescribed rules, regulations and conditions of the Indian Companies Act. In addition, public companies which are listed on a recognized stock exchange in India must comply with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 (Buy-back Regulations). Since we are a public company listed on two recognized stock exchanges in India, we would have to comply with the relevant provisions of the Companies Act, 2013 and the provisions of the Buy-back Regulations. In order for the ADS holders to participate in a company's purchase of its own shares under the open market route through the Indian stock exchanges, the ADS holders need to take certain actions in order to convert the ADS into equity shares and sell the equity shares through the Indian stock exchanges.

It may be difficult for holders of our ADSs to enforce any judgment obtained in the United States against us

As we are incorporated under the laws of India and are primarily located outside the United States, holders of our ADSs may find it difficult to effect service of process upon us outside the United States. In addition, holders of our ADSs may be unable to enforce judgments against us if such judgments are obtained in courts of the United States, including judgments predicated solely upon the federal securities laws of the United States.

The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on the basis of civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be executable by an Indian court. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States. The suit must be brought in India within three years from the date of the judgment by court in the United States in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as conflicting with Indian Law. Separately, RBI approval will be required under the Foreign Exchange Management Act, 1999, to repatriate any amounts outside India as damages including pursuant to the execution of a judgment.

Holders of ADSs are subject to the Securities and Exchange Board of India’s Takeover Code with respect to their acquisitions of ADSs or the underlying equity shares, and this may impose requirements on such holders with respect to disclosure and offers to purchase additional ADSs or equity shares.

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the Takeover Code) is applicable to publicly listed Indian companies. Therefore, the provisions of the Takeover Code apply to us and to any person acquiring our equity shares or voting rights in our company, such as those represented by our ADSs.

The acquisition of shares or voting rights which entitle the acquirer, along with persons acting in concert with the acquirer, to exercise 25% or more of the voting rights in or control over the target company triggers a requirement for the acquirer to make an open offer to acquire at least 26% of the total shares of the target company for an offer price determined as per the provisions of the Takeover Code. The acquirer is required to make a public announcement for an open offer on the date on which it is agreed to acquire such shares or voting rights. In the event that pursuant to the open offer, the shareholding of the acquirer along with the persons acting in concert with the acquirer exceeds the maximum permissible non-public shareholding, the acquirer is required to bring down the non-public shareholding in line with the limits prescribed and the timeline as prescribed under the Securities Contract (Regulation) Rules, 1957. Furthermore, acquisition of shares or voting rights by an acquirer who holds 25% or more of the voting rights in the target company (along with persons acting in concert with the acquirer), shall make an open offer to acquire additional shares or voting rights which entitle the acquirer (along with persons acting in concert with the acquirer) to exercise more than 5% of voting rights in the target company.

Upon the acquisition of shares or voting rights in a publicly listed Indian company such that the aggregate share-holding of the acquirer (meaning a person who directly or indirectly, acquires or agrees to acquire shares or voting rights in a target company, or acquires or agrees to acquire control over the target company, either by himself or together with any person acting in concert) is 5% or more of the shares of the company, the acquirer is required, within two working days of such acquisition, to disclose the aggregate shareholding and voting rights in the company to the company and to the stock exchanges in which the shares of the company are listed.

Further, an acquirer who, together with persons acting in concert with him, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company, acquires or sells shares representing 2% or more of the shares or voting rights of the company must disclose, within two working days of such acquisition, sale or receipt of intimation of allotment of such shares, the acquirer's revised shareholding to the company and to the stock exchanges on which the shares of the company are listed. This disclosure is required, in case of a sale, even if such sale results in the shareholding of the acquirer falling below 5%.

The Takeover Code may impose conditions that discourage a potential acquirer, which could prevent an acquisition of our company in a transaction that could be beneficial for our equity holders. For example, under the Takeover Code, persons who acquire 5% or more of the shares of a company are required, within two working days of such acquisition, to disclose the aggregate shareholding and voting rights in the company to the company and to the stock exchanges on which the shares of the company are listed.

Additionally, holders of 5% or more of the shares or voting rights of a company who acquire or dispose of shares representing 2% or more of the shares or voting rights of the company must disclose, within two working days of such transaction their revised shareholding to the company and to the stock exchanges on which the shares of the company are listed. This disclosure is required even if the transaction is a sale which results in the holder’s ownership falling below 5%

The reintroduction of dividend distribution tax rate or introduction of new forms of taxes on distribution of profits or changes to the basis of application of these taxes could materially affect the returns to our shareholders.

Effective from fiscal 2020, the company expects to return approximately 85% of the free cash flow cumulatively over a 5 year period through a combination of semi-annual dividends and/or share buyback and/or special dividends, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under IFRS. Dividend and buyback include applicable taxes. The Company declares and pays dividends in Indian rupees. The Finance Act 2020 has replaced the Dividend Distribution Tax (DDT) with the classical system of dividend taxation wherein dividend income will be taxed in the hands of the shareholders at their respective applicable tax rates. In the light of the above changes under the Income-tax Act, Company paying dividend to shareholders is required to do withholding of tax at the applicable rates prescribed under Income Tax Act read along Tax Treaty with respective countries (together with Multilateral Instruments (MLI) as applicable) subject to providing various Tax forms including Tax Residency certificate by non-resident shareholders. The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

The remittance of dividends outside India is governed by Indian law on foreign exchange and is also subject to withholding tax at applicable rates.

If the effective rate of tax at source on dividend increases in future, or new forms of taxes on distribution of profits are introduced, the dividend amount receivable by our shareholders after taxes may decrease further.

Further with effect from July 5, 2019, the Finance Act (No 2) 2019 has extended the additional buy-back Tax to shares of listed company under section 115QA of the Income Tax Act. Domestic companies are subject to tax on buyback of listed shares. Correspondingly exemption to shareholder under section 10(34A) of the Income Tax Act is provided.

Further Taxation Law (Amendment) Act 2019 provided that the Tax on buy-back of shares would not apply to such buy-back of shares (being the shares listed on a recognized stock exchange), in respect of which public announcement has been made on or before July 5, 2019 in accordance with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Item 4. Information on the Company

COMPANY OVERVIEW

Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients around the world to create and execute strategies for their digital transformation.

Our vision is to build a globally respected organization delivering best-of-breed business solutions, leveraging technology, delivered by best-in-class people. 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).

Our primary geographic markets are North America, Europe, Rest of the World and India which generated 61.5%, 24.1%, 11.8% and 2.6% of our revenues in the fiscal 2020. We serve clients in Financial Services and Insurance; Retail; Consumer Packaged Goods and Logistics; Communication; Telecom OEM and Media, Energy, Utilities, Resources and Services; Manufacturing; Hi-Tech Life Sciences and Health Care.

Our revenues grew from $9,501 million in fiscal 2016 to $12,780 million in fiscal 2020, representing a compound annualized growth rate of 7.7%. Our net income grew from $2,052 million to $2,338 million during the same period, representing a compound annualized growth rate of 3.3%.