

# Unveiling Transparency on Whistleblower Complaints: A Case Study on Infosys Limited

**Geeti Mishra**

*Indian Institute of Management, Indore, India*

**Abstract.** In February 2017, Infosys Limited received complaints from whistleblowers regarding financial irregularities in its acquisition of an Israeli software company and concerns about severance packages for former executives, which eventually led to the resignation of the Chief Executive Officer (CEO) in August 2017. The whistleblowers also targeted the non-executive chairman of Infosys Limited, alleging that the chairman had influenced board members to bury previous wrongdoings. This situation followed a previous settlement in 2013 when Infosys paid a hefty amount to end an investigation of visa misuse. Furthermore, in September 2019, anonymous whistleblowers within Infosys accused the CEO of pressuring the finance team to manipulate financial figures thereby inflating revenue and profit margins. The continuous and frequent allegations by whistleblowers raised many questions regarding the company. This case study sheds light on whistleblowing concerns and helps to understand whether whistleblower complaints are healthy for a company. It also analyses the ethical dilemma for stakeholders when whistleblowers are frequently filing complaints.

**Keywords:** whistleblowing; corporate governance, wrongdoings, investigations.

## 1. Introduction

On 19 February 2017, Infosys Limited received a letter about the complaints, filed by whistleblowers, regarding financial irregularities in its acquisition of Israeli software company Panaya, along with the severance package that was provided to the former chief financial officer (CFO), Rajiv Bansal, and the former chief compliance officer (CCO), David Kennedy. Whistleblowers' letter also raised questions about Infosys's corporate governance, resulting in the resignation of the chief executive officer (CEO), Vishal Sikka, in August 2017. Surprisingly, these questions arose following the settlement of allegations by Infosys in 2013, when the company paid USD 34 million to end an investigation being conducted in the U.S. for the misuse of visas, which resulted in CEO S.D. Shibulal stepping down. This was the largest settlement at the time relating to alleged civil fraud over visas. Consequently, Vishal Sikka (former SAP chief technical officer [CTO]) was

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*Any enquiries, please contact the Publishing Editor, Peter Neilson [pneilson@neilsonjournals.com](mailto:pneilson@neilsonjournals.com)*

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appointed as the non-founding CEO of Infosys in 2014, taking over from S.D. Shibulal.

At around the same time in 2017, whistleblowers targeted Nandan Nilekani (non-executive chairman of Infosys Limited) and sent a letter to the Securities and Exchange Board of India (SEBI) and the U.S. Securities and Exchange Commission (SEC) claiming that Nilekani had convinced board members to bury the wrongdoings of the previous board by releasing a “mutual release of claims” with R. Seshasayee (ex-independent director) and Jeff Lehman (ex-independent director) in the annual report for 2017–18.

The whistleblowers didn’t stop there. In September 2019, anonymous whistleblowers (employees of Infosys) raised a complaint against Infosys that the CEO had forced the finance team to provide false numbers by inflating revenue and profit margins. The CEO and CFO were alleged to have engaged in forced revenue recognition from large deals that did not adhere to accounting standards. In addition to the above, the CEO was said to have bypassed reviews and approvals of large deals or contracts (e.g., Verizon, Intel, ABN, and Amro acquisitions) with the fear that reduced profits would lower Infosys’ share price. The CFO also prevented employees from highlighting issues related to large deals or contracts to board members which violated 10(b) and 20(a) of the Securities Exchange Act (1934).

**Exhibit 1** gives information about Infosys and the events beginning in 2017 in chronological order.

S. no.	Date or Month	Particulars
1	February 2017	Allegations of financial irregularities in its acquisition of Israel software company, Panaya, along with severance package of former CFO and COO.
2	August 2017	CEO Vishal Sikka stepped down.
3	October 2017	The internal and external investigations cleared Sikka of any kind of misconduct.
4	December 2017	Salil Parekh was appointed as CEO of Infosys.
5	April 2018	Infosys sold software companies Panaya and Skava under "value less" acquisitions.
6	May 2018	Letter sent by whistleblowers to SEBI and US SEC for "mutual release of claims" in the annual reports of 2017-18.
7	September 30, 2019	Complaint received by one of the Infosys board members from whistleblowers as "employees of Infosys."
8	October 11, 2019	The company informed non-executive members of the board, the statutory and the internal auditors about the letter from whistleblowers after the board meeting.
9	October 22, 2019	The whistleblower’s letter was made public by the <i>Deccan Herald</i> .
10	October 23, 2019	The Bombay Stock Exchange (BSE) sought clarification from Infosys regarding the disclosure not made under Regulation 30 of SEBI (LODR[Letter of determination review]) Regulations, 2015.
11	November 2, 2019	The National Stock Exchange (NSE) asked Infosys for clarification on disclosing the receipt of the letter.
12	December 19, 2019	The Schall law firm (cohort of investors specialized in securities class actions and shareholder rights litigation) pointed the finger at Infosys by filing a class action lawsuit for reporting misleading numbers in the financial statements to attract investors and the market.
13	January 11, 2020	The internal audit committee concluded that the charges made by the whistleblowers were immaterial. The investigations by the internal audit committee was passed on to SEBI.
14	January 2020	The investigation by the audit committee, assisted by PWC (Pricewaterhouse Coopers) and legal counsel Shardul Amarchand Mangaldas found no evidence of financial misconduct.