

The background features a light blue gradient with several overlapping circles and arrows. A large orange circle is prominent in the center-left, and a smaller dark blue circle is in the center-right. Blue arrows of various sizes and directions are scattered throughout the design, some pointing towards the circles and others in a circular path.

Communication on Progress

2013/2014

Implementing UN Global Compact Principles

Statement of Continued Support by the CEO

I am pleased to confirm that Virtusa reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

This report covers the period April 2013 to March 2014.

Sincerely yours,

Kris Canekeratne

Chairman & CEO

Our Mission

To be the partner of choice for corporations in creating competitive advantage through technology excellence.

To create the conditions for professional success and quality of life for all Virtusans.

To be a socially conscious and responsible corporate citizen in all countries of operations.

Our Values

Pursuit of Excellence - Expand the contours of our customer experience through innovation and acceleration of business outcomes.

Integrity - Be forthright and honest in all our interactions.

Respect - Treat our stakeholders, environment and our diversity with respect.

Leadership - Lead by serving those being led and be accountable when things go awry.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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FY14 Fast Facts



8054 Virtusans across the globe

1143 new hires

More than **80%** of our workforce are Millennials

99% of senior management hired from local community



Revenue: **\$396.9 million**

Net income: **\$34.4 million**

104 Clients

26 new clients added



84 Carbon Disclosure Project Score

18% reduction in emissions* per FTE**

22% reduction in energy consumption per FTE**

18% reduction in water consumption per employee

**Scopes 1 and 2*

***Full Time Employee*

About Virtusa

Virtusa Corporation (NASDAQ: VRTU) is a global information technology services company. Headquartered in Massachusetts, we have offices in the United States, the United Kingdom, Germany, Sweden, and Austria, with global delivery centers in India, Sri Lanka, Hungary, Singapore, Malaysia, and the Philippines, as well as a near shore delivery center in the United States.

We use an enhanced global delivery model to provide end-to-end information technology ("IT") services to Global 2000 companies. These services, which include IT and business consulting, application support and maintenance, development, systems integration and managed services, leverage our unique platforming methodology that transforms our clients' businesses through IT rationalization.

Sustainability at Virtusa

Our aim is "to reduce our Environmental Footprint, with ethical maturity, respect and dignity to all." Premised on our core corporate values of Pursuit of Excellence, Integrity, Respect and Leadership (PIRL), we believe in doing more, and better, with less. Accordingly, we leverage unique and industry leading tools to increase "right first time" and reduce "cycle time" by aggressively measuring and improving quality and reuse at the source. By doing so, we effectively reduce the environmental footprint of the products and services offered to clients.

Our sustainability program is based on the following core elements.

#	Area	Framework	Current Status
1	Health and Safety	OHSAS 18001	All major offices in India and Sri Lanka are certified.
2	Environment (Code Green)	ISO 14001 (EMS) ISO 50001 Guidance (Energy) ISO 14064 Guidance (Climate Change) CDP Reporting	Encompasses climate change, emissions, energy, water and waste management. All major offices in India and Sri Lanka are certified for ISO 14001.
3	Business Continuity Management	ISO 22301	All major offices in India and Sri Lanka are certified.
4	Information Security	ISO27001	All major offices in India and Sri Lanka are certified.
5	Labor Standards	SA 8000 & GS 18	New policies and guidance under review.
6	Anti-Bribery and Corruption	BS 10500	Policy signed in line with Foreign Corrupt Practices Act 1977 and Bribery Act 2010 (UK).

#	Area	Framework	Current Status
7	Management Engagement, Social Impact & Diversity	ISO 26000 Guidance	<p>Virtusa creates social impact through the following:</p> <ul style="list-style-type: none"> • Digital Reach – Creating a digitally inclusive society. • Campus Reach – Supporting the next generation of IT professionals to be workforce ready. • Tech Reach – Using technology for good.

Policies and Certification

Virtusa has in place multiple policies and certifications to ensure high standards in corporate governance, environmental practices, client services, and people practices.

Policies		Certification
<ul style="list-style-type: none"> • Code of Business Conduct and Ethics • Virtusa Anti-Bribery Policy • Virtusa FCPA Policy • Whistleblower Policy • Business Continuity Management Policy • Information Security Management Policy • Intellectual Property 	<ul style="list-style-type: none"> • Harassment-Free Workplace Policy • Sustainability Policy • Environment, Health and Safety Policy • Energy Policy • Climate Change Policy • Waste Policy • Water Policy • Social Responsibility Policy 	<ul style="list-style-type: none"> • CMMI Level 5 • ISO 22301:2012 • BS OHSAS 18001:2007 • ISO/IEC 27001:2013 • BS EN ISO 14001:2004

All corporate policies are available on the corporate intranet for easy reference by employees.

Sustainability Policy and Sub-policies

During FY14, we formulated our Sustainability Policy, which is based on the following policies and core guidelines:

- Health and Safety in line with OHSAS 18001
- Environmental, Water and Waste Management policy in line with ISO 14001
- Business Continuity Management in line with ISO 22301
- Information Security in line with ISO 27001
- HR/Labor Standards in line with SA 8000
- Anti-Bribery and Corruption policy with FCPA and UK Bribery Act 2010
- Climate Change management in line with ISO 14064 and CDP Reporting
- Energy Conservation in line with ISO 50001 guidelines
- Management Engagement in line with ISO 26000 guidance
- Social Impact & Diversity in line with ISO 26000 guidance

Along with the Sustainability Policy, we formulated the following sub-policies: Energy Policy, Climate Change Policy, Waste Policy, Water Policy, and Social Responsibility Policy.

Employee Training and Awareness

Virtusa has in place several measures to ensure that employees are knowledgeable of all aspects of the corporate sustainability program.

Employees are trained on corporate policies at On-boarding and must pass mandatory exams for confirmation of employment. Exams include Environment, Health and Safety, Business Continuity Management, Information Security, and Anti-Bribery and Corruption.

In addition, several mediums are used to create awareness on different aspects of sustainability such as health and safety and good environmental practices. These include e-mail campaigns, social media, and special events such as Earth Hour and World Environment Day.

Supply Chain Management

We follow ethical practices in all our sourcing and attempt to ensure that our suppliers adhere to accepted standards in labor, human rights, environmental practices, and anti-bribery and corruption. We review our suppliers' sustainability practices using the Virtusa Supplier Survey. During the reporting period we reviewed and updated our Supplier Regulations which set out the standards and practices that Virtusa's Suppliers are required to uphold.

Compliance with Laws and Regulations

As a responsible corporate citizen, Virtusa adheres to the laws and regulations relevant to our operations. During the reporting period there were no instances of monetary or non-monetary sanctions for non-compliance with laws and regulations related to any aspects of our business operations including human rights violations, labor practices, environmental regulations, and bribery and corruption.

Human Rights

Assessment, Policy and Goals

Virtusa is committed to ensuring the protection of human rights and maintaining a harassment-free workplace. Virtusa has several policies in place to ensure the protection of human rights. These policies include the Harassment-Free Workplace Policy, Sustainability Policy and the Social Responsibility Policy. As per our Social Responsibility Policy, Virtusa is committed to respecting human rights and will follow the framework laid down in the UN Guiding Principles on Business and Human Rights (UNGP) as far as possible.

Virtusa also has a Harassment-Free Workplace Policy to prevent against any form of discrimination based on age, race, color, national origin and ancestry, religion, sex or gender, sexual orientation, disability, and other areas protected by law. Our stringent code of conduct practices ensure protection of human rights.

Implementation

Employees are educated on all corporate policies such as the Harassment-Free Workplace Policy at On-boarding. We believe robust communication channels promote human rights expression and exchange. Thereby, we have institutionalized and internalized a formal communication framework tagged as "Work-Learn-Share-Connect". This promotes clear, real time communication through the internet, intranet, video messages, Yammer groups, conference calls, team meetings, etc. Town Halls, Vircomm (20 types of sessions) and open houses are the secondary platforms used for sharing information on any domain of choice of the individual.

Under the Virtusa Supplier Regulations, our suppliers are required to adhere to accepted standards in human rights practices.

Measurement of Outcomes

It is clear that when human rights are infringed, it affects employee engagement holistically. Therefore, human rights and employee engagement is tightly stringed to our PIRL values; these policy regulators have been institutionalized at critical employee touch points. These regulators serve as governance nodes and assessment measures for agile adoption. Above all, this engaging performance culture has built a positive impact on our organization's productivity, revenue and success parameters such as Employee Delight Index (EDI), Client Delight Index (CDI), Delivery Maturity Index (DMI) and Engineering Excellence. The bi-annual assessment and high knowledge scores on the adoption and practice of these values indicates the robust internalization of the PIRL values in our teams.

Any complaints related to the infringement of the PIRL values and Harassment-Free Workplace Policy can be brought to the notice of the HR Partners appointed for each business unit.

Labor

Assessment, Policy and Goals

As a technology services company, child labor, forced labor and bonded labor are not significant risk factors in our operations. Our Social Responsibility Policy commits us to upholding the abolition of child labor and upholding the elimination of all forms of forced or compulsory labor.

None of our team members are covered by a collective bargaining agreement or are represented by a labor union. This is partly due to the open communication and cordial relations maintained with employees. Also, in India and Sri Lanka, where the majority of our workforce is, collective bargaining is not a common practice in white collar industries.

Organizational Responsibility

The Global Head of HR is responsible for all labor practices at Virtusa, with location HR leaders reporting to him. Within location HR, separate teams focus on specific areas such as recruitment, training, career development, and compensation and benefits. The HR team is also responsible for investigating any violations related to HR policies and procedures. Stringent HR risk audits are conducted in a timely manner.

Implementation

Employee Engagement & Communication

Channels of employee engagement range from company-wide updates and town hall sessions to open social media fora such as Yammer. These are supplemented by multiple surveys such as the Internal Service Group Survey that allows employees to provide feedback on all service groups within the company. Employees also have the opportunity to provide their feedback through pulse check surveys conducted periodically during their career at Virtusa (e.g. Onboarding Survey, 5th Month Survey, 18 Month Survey, and Exit Survey).

Employee Health & Safety

We strive to provide a safe and secure work environment for all Virtusans. Our Advanced Technology Centers in Chennai, Hyderabad, Bengaluru, and Colombo are OSHAS 18001 certified. Health and Safety committees at each location are responsible for the Environment, Health and Safety initiatives for their respective location. These committees consist of members from the HR and Admin teams, as well as volunteers from across the organization.

Training on environment, health and safety is provided as part of our On-boarding program. Basic training on First Aid and Fire Safety are available to employees on a voluntary basis.

Measurement of Outcomes

FY14 Total Workforce

	India		Sri Lanka		US & Europe		US Other		Singapore	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Permanent Cadre	3549	1421	1537	737	583	86	98	26	15	2
Contract	96	53	18	11	118	13	36	4	17	
Outsourced	134	15	39	3	18				1	

Table: Total workforce by employment type, employment contract, and region, broken down by gender

FY14 New Hires

	India		Sri Lanka		US & Europe		US Other		Singapore	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	923	590	295	124	24	4	11	7	4	1
30-49	407	77	114	20	81	17	4		3	
Over 50		1	5		221	29	40	3	1	

Table: Total number and rate of new employee hires by age group, gender, and region

FY14 Employee Turnover

Age Group	India		Sri Lanka		US & Europe		US Other		Singapore	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Under 30	453	215	166	96	11	2	11	3		
30-49	322	78	76	22	48	7	8	7	2	
Over 50	3	1	1	1	29	5	5	1	1	

Table: Total number and rate of employee turnover by age group, gender, and region

Diversity

	India		Sri Lanka		US & Europe		Non Heritage		Singapore	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Tier 0–Tier 1	89%	11%	85%	15%	90%	10%	87%	13%	80%	20%
Tier 2–Tier 4	69%	31%	66%	34%	85%	15%	79%	21%	100%	

Table: Percentage of employees by gender and by level

FY14 Remuneration Ratios

	India		Sri Lanka		US & Europe	
	Male	Female	Male	Female	Male	Female
Tier 0	1.04	1	0.94	1	1.32	1
Tier 1	1.09	1	1.05	1	0.95	1
Tier 2	1.07	1	1.15	1	0.96	1
Tier 3	1.04	1	1.18	1	-	1
Tier 4	1.12	1	1.11	1	-	1

Table: Ratio of basic salary and remuneration of women to men

FY14 Training Data

	India	Sri Lanka	US & Europe
Tier 0	4.88	4.12	2.11
Tier 1	3.26	2.84	1.21
Tier 2	2.79	2.89	1.14
Tier 3	2.98	2.61	1.26
Tier 4	5.26	2.70	1.27
Tier 5	3.85	1.32	1.00

Table: Average hours of training per year per employee by gender and by employee category

Note: We do not track training hours by gender as we provide equal training opportunities for our male and female employees.

Environment

Assessment, Policy and Goals

We are committed to reducing the environmental footprint of our products and services and have adopted a precautionary approach. As such, we have taken proactive steps by formulating effective policies to measure, manage, benchmark, and consistently improve our environmental performance. Our commitment to reducing our environmental footprint and adhering to all environmental regulations is set out in the following policies: Environment, Health and Safety Policy, Energy Policy, Climate Change Policy, Waste Policy, and Water Policy.

Implementation

Code Green, our internal branding for environmental management, was initiated in 2009. Code Green encompasses measures to manage the significant environmental aspects of our business operations: emissions, energy and water usage, and disposal of waste material. Since the inception of Code Green, we have improved our environmental performance consistently and achieved ambitious reductions in emissions, energy usage and water usage.

International Standards

Our ATCs in Chennai, Hyderabad, Bengaluru, and Colombo, which constitute 87% of our real estate, is certified for ISO 14001 by the British Standards Institute. In addition, our Hyderabad Campus was awarded the Leadership in Energy and Environmental Design (LEED) India 'Gold' rating by the Indian Green Building Council (IGBC) in 2013.

Organizational Responsibility

The Facilities Management teams in each location manage day to day activities related to environmental management such as tracking emissions, energy and water usage, recycling activities, ISO14001 certification, and aspects of environmental reporting.

Carbon Disclosure Project

Virtusa has been responding to the Carbon Disclosure Project since 2011, and in 2013 we received a score of 74 out of 100. In 2014 our score increased to 84, which is 31 points higher than the supplier chain average for the year. Our Performance Band was "B".

Emissions Management

We calculate emission using the guidelines of the Greenhouse Gas Protocol (GHG Protocol). The main source of emissions is from the usage of purchased electricity, and to a lesser extent from business travel (both air travel and road travel). Emissions from the usage of the diesel generator forms a minute percentage of our emissions.

Energy Management

We initiated our energy management program in April 2008. We have optimized our energy usage through space and server consolidation as well as the use of building management systems (BMS), renewable energy sources and energy efficient products. In 2012 we implemented an initiative to convert the lighting system in the Sri Lanka, Hyderabad and Chennai facilities to LED. By the end of FY14, we had converted 70% of lighting to LED in Sri Lanka and 37% in Hyderabad. Lighting in the Bengaluru facility is 100% LED. We also have a policy to hibernate or switch-off idle machines wherever possible.

Business Travel Management

We have reduced the impact from business air travel through the use of audio and video conferencing. An automated system helps to track and manage shuttle services provided for employees working late or during weekends. The use of optimized transport routes has also helped to reduce emissions from road travel.

Emissions from business air travel reduced by 9.11% in FY14. However, emissions from road travel increased by 10.42% due to increased headcount and business requirements.

Water Management

As a services company, water is used mainly for drinking, hygiene, facility operations, and landscaping. Our main source of water is the municipal water supply and our operations do not significantly affect any local water body as water is not used for production. The water management data is for our operations in Sri Lanka, Hyderabad and Bengaluru. This data does not include drinking water, which we do not target for reduction.

Strategies for water management include more efficient water usage in facilities maintenance and creating awareness among employees about conserving water. At present, we are able to recycle waste water only at the Hyderabad Campus where approximately 60% of water used is recycled, which amounts to 6.4 km³.

E-waste Management

The Sri Lanka ATC has in place a program where e-waste is handed over to a certified vendor, which is then shipped internationally for recycling. Virtusa is a member of the Co-operate E-waste Management Project initiated by the Central Environmental Authority (CEA) of Sri Lanka. We are the first IT company in Sri Lanka to receive a Scheduled Waste Management License from the CEA.

Apart from e-waste, no other types of waste was donated for recycling during the reporting period.

Paper Usage

We have reduced paper usage through several measures such as duplex printing with usage and paying for farmed paper. All departments are encouraged to use paperless forms, notifications and reports wherever possible.

Measurement of Outcomes

External Verification and Audits

Annual audits are performed as part of the re-certification process for ISO 14001. In FY14 our emissions calculations received limited assurance of ISAE3000 compliance by EY.

Performance for FY14



84 Carbon Disclosure Project Score

Carbon Disclosure Project score for 2014 was 84 and the performance band "B".

18% Reduction in GHG Emissions

Intensity of GHG emissions from scopes 1 and scope 2 reduced from 1.54 MTCO₂eq per full time employee in FY2013 to 1.25 MTCO₂eq per FTE in FY2014.

22% Reduction in Energy Usage

Intensity of energy consumption per full time employee reduced from 176 kWh in FY13 to 136 kWh in FY14.

18% Reduction in Water Usage

Per capita water usage reduced from 0.66 m³ in FY13 to 0.54 m³ in FY14.

1307 kg of E-waste Recycled

1307 kilograms of e-waste was donated for recycling.

63% of Paper Recycled

Recycled 2487 kilograms of paper, which amounted to 63% of usage.

Performance since Baseline Year of FY11

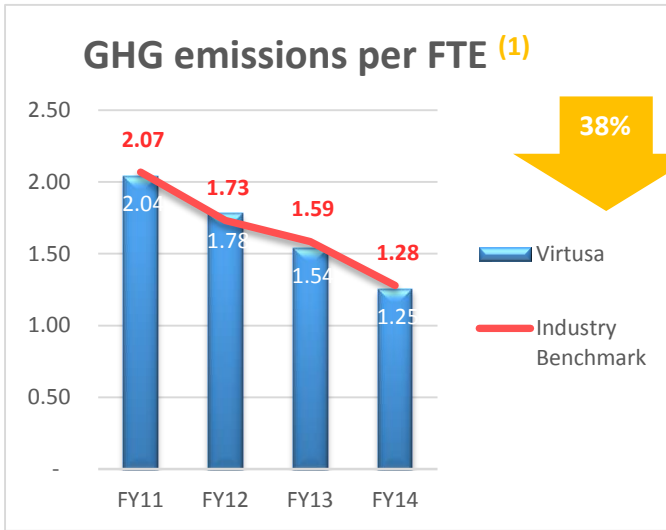


Chart: GHG Emissions – Per Full Time Employee

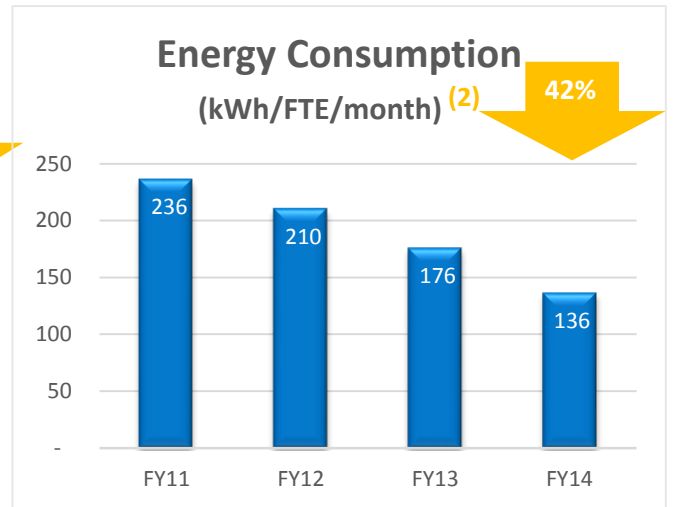


Chart: Energy Consumption – Per Full Time Employee

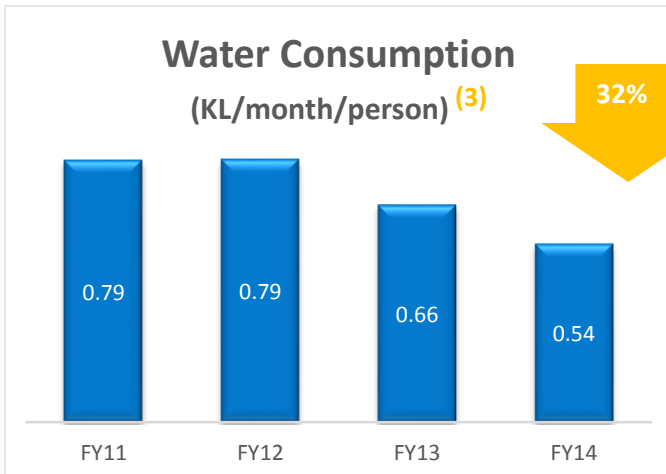


Chart: Water Consumption – Per Employee

Notes:

- (1), (2): All ATCs (Approximately 90% of office space) (3): ATCs except Chennai.
- All FTE figures taken average for the year. During years of growth this provides a more conservative figure.

Anti-Corruption

Assessment, Policy and Goals

Virtusa's Code of Business Conduct and Ethics provides the ethical and business standards by which Virtusa requires all of its employees to conduct themselves. The Code applies to all directors and employees worldwide. Day-to-day responsibility for administering the Code rests with the Compliance Officer who is also the General Counsel. A current copy of the Code is available at <http://www.virtusa.com/investors/corporate-governance/>.

The Virtusa Anti-Bribery Policy implemented in 2012 was revised in 2013 with two policies being published: the US Foreign Corrupt Practices Act Policy and the Virtusa UK Anti-Bribery Act Policy. The policies set out a zero tolerance approach to acts of bribery and corruption, and reaffirms our commitment to complying with all relevant anti-bribery legislation wherever we do business.

In addition, our Code of Business Conduct and Ethics was updated to emphasize the importance of anti-bribery. These policies are applicable to all our employees in all locations.

Implementation

The above policies are supported by ongoing training programs and annual certification requirements for employees. The Code of Business Conduct and Ethics and the anti-bribery policies are available on the corporate website.

Employees and other interested parties can report any behavior that contravenes the Code of Ethics, any accounting irregularities or conduct that undermines the integrity of the Company's financial statements or the Anti-Bribery policies using the Whistleblower Hotline, through a web-based submission tool or in writing. Complaints are forwarded to the Chairman of the Audit Committee as soon as reasonably practicable following receipt of such complaints.

More information on the Whistleblower Hotline is available in the Audit Committee Complaints Procedure at <http://www.virtusa.com/investors/corporate-governance/>.

Measurement of Outcomes

Virtusa's Internal Audit Department periodically audits, monitors and reviews the extent of compliance with the Policy through scheduled, as well as random, Anti-Bribery Legislation Audits.

Global Compact Principles

Category	UNGC Principle
HUMAN RIGHTS	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>
LABOUR	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labour;</p> <p>Principle 5: the effective abolition of child labour; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>
ENVIRONMENT	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
ANTI-CORRUPTION	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>

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