



July 24, 2014

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Virtusa Corporation to be held at 8:00 a.m., local time, on Tuesday, September 9, 2014 at the offices of Virtusa Corporation located at 2000 West Park Drive, Westborough, Massachusetts 01581.

At this annual meeting, you will be asked to (i) elect three (3) class I directors, as nominated by our board of directors, for a three-year term, (ii) ratify the appointment of our independent registered public accountants, (iii) cast an advisory vote on the compensation of our named executive officers, and (iv) transact such other business as may properly come before the annual meeting and any adjournments or postponements thereof. The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of appointment of our independent registered public accountants, and FOR approval, on an advisory basis, of the compensation of our named executive officers.

Details regarding the matters to be acted upon at this annual meeting appear in the accompanying proxy statement. Please give this material your careful attention.

Whether or not you plan to attend the annual meeting, please submit your vote via the Internet ([www.envisionreports.com/VRTU](http://www.envisionreports.com/VRTU)), by telephone (1-800-652-VOTE (8683)), or by your proxy by completing, signing and dating the enclosed proxy card and returning it in the envelope provided as soon as possible so that your shares will be represented at the annual meeting. If you vote via the Internet or by telephone or send your proxy in, you will not limit your right to vote in person at the annual meeting. Your prompt cooperation will be greatly appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kris Canekeratne".

Kris Canekeratne  
*Chairman and Chief Executive Officer*

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**Virtusa Corporation**  
2000 West Park Drive  
Westborough, Massachusetts 01581  
(508) 389-7300

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on Tuesday, September 9, 2014**

To the Stockholders of Virtusa Corporation:

The annual meeting of stockholders of Virtusa Corporation, a Delaware corporation (the "Company"), will be held on Tuesday, September 9, 2014, at 8:00 a.m., local time, at Virtusa Corporation located at 2000 West Park Drive, Westborough, Massachusetts 01581, for the following purposes:

1. To elect three (3) class I directors, as nominated by our board of directors, to our board, each to serve for a three-year term until his respective successor has been duly elected and qualified, or until his earlier death, resignation or removal;
2. To ratify the appointment of the accounting firm of KPMG LLP as the Company's independent registered public accountants for the current fiscal year;
3. To hold an advisory vote on the compensation of our named executive officers; and
4. To transact such other business as may properly come before the annual meeting and any adjournments or postponements thereof.

Proposal 1 relates solely to the election of three (3) class I directors nominated by the board of directors and does not include any other matters relating to the election of directors, including without limitation, the election of directors nominated by any stockholder of the Company.

Only stockholders of record at the close of business on July 14, 2014, are entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

All stockholders are cordially invited to attend the annual meeting in person. However, to assure your representation at the annual meeting, we urge you, whether or not you plan to attend the annual meeting, to submit your vote via the Internet ([www.envisionreports.com/VRTU](http://www.envisionreports.com/VRTU)), by telephone (1-800-652-VOTE (8683)), or by completing, signing and dating the enclosed proxy card and returning it in the envelope provided as soon as possible so that your shares will be represented at the annual meeting. If you vote via the Internet or by telephone or send your proxy in, you will not limit your right to vote in person at the annual meeting.

By Order of the Board of Directors,



Ranjan Kalia  
*Executive Vice President, Chief Financial Officer,  
Treasurer and Secretary*

Westborough, Massachusetts  
July 24, 2014

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON TUESDAY, SEPTEMBER 9, 2014: THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS ARE AVAILABLE AT [www.envisionreports.com/vrtu](http://www.envisionreports.com/vrtu), FOR REGISTERED HOLDERS AND AT [www.edocumentview.com/vrtu](http://www.edocumentview.com/vrtu) FOR BENEFICIAL/STREET HOLDERS.**

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE, OR PLEASE PROMPTLY SUBMIT YOUR VOTE VIA THE INTERNET ([www.envisionreports.com/VRTU](http://www.envisionreports.com/VRTU)), OR BY TELEPHONE (1-800-652-VOTE (8683)), IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.**

**IN ACCORDANCE WITH OUR SECURITY PROCEDURES, ALL PERSONS ATTENDING THE ANNUAL MEETING WILL BE REQUIRED TO PRESENT PICTURE IDENTIFICATION.**

# **VIRTUSA CORPORATION**

**2000 West Park Drive  
Westborough, Massachusetts 01581**

## **PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS To Be Held on Tuesday, September 9, 2014**

July 24, 2014

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Virtusa Corporation, a Delaware corporation (the “Company,” “our,” “we” or “us”), for use at the annual meeting of stockholders to be held on Tuesday, September 9, 2014, at 8:00 a.m., local time, at the offices of Virtusa Corporation located at 2000 West Park Drive, Westborough, Massachusetts 01581, and any adjournments or postponements thereof. An annual report to stockholders, containing financial statements for the fiscal year ended March 31, 2014, is being mailed together with this proxy statement to all stockholders entitled to vote at the annual meeting. This proxy statement and the form of proxy are expected to be first mailed to stockholders on or about July 29, 2014.

The purposes of the annual meeting are to (i) elect three (3) class I directors, as nominated by our board of directors, for a three-year term, (ii) ratify the appointment of the accounting firm of KPMG LLP as the Company’s independent registered public accountants for the current fiscal year, (iii) hold an advisory vote on the compensation of our named executive officers, and (iv) transact such other business as may properly come before the annual meeting and any adjournments or postponements thereof. The board of directors unanimously recommends that you vote FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accountants, and FOR approval, on an advisory basis, of the compensation of our named executive officers.

Only stockholders of record at the close of business on July 14, 2014, the record date, will be entitled to receive notice of and to vote at the annual meeting. As of July 14, 2014, 29,188,724 shares of common stock, \$.01 par value per share, of the Company were issued and outstanding. The holders of common stock are entitled to one vote per share on any proposal presented at the annual meeting.

Stockholders may vote in person or by proxy, or stockholders may submit their vote via the Internet ([www.envisionreports.com/VRTU](http://www.envisionreports.com/VRTU)), by telephone (1-800-652-VOTE (8683)), or by completing, signing and dating the enclosed proxy card and returning it in the envelope provided as soon as possible so that the stockholder shares will be represented at the annual meeting. If you attend the annual meeting, you may vote in person even if you have previously returned your proxy card or voted via telephone or the Internet. Voting via the Internet or telephone will not limit your right to vote in person at the annual meeting as stated above. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of the Company, before the taking of the vote at the annual meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly completing a later-dated proxy relating to the same shares and delivering it to the Secretary of the Company before the taking of the vote at the annual meeting, or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581, Attention: Secretary, before the taking of the vote at the annual meeting.

The representation in person or by proxy of at least a majority of the outstanding shares of common stock entitled to vote at the annual meeting is necessary to constitute a quorum for the

transaction of business. Votes withheld from any nominee, abstentions and broker “non-votes” are counted as present or represented for purposes of determining the presence or absence of a quorum for the annual meeting. A “non-vote” occurs when a nominee holding shares for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

For Proposal 1, the three (3) class I directors are elected by a plurality of the votes cast by stockholders entitled to vote at the annual meeting. For Proposal 2, the ratification of the appointment of KPMG LLP as the Company’s independent registered public accountants for the current fiscal year, and for Proposal 3, the advisory vote on the compensation of our named executive officers, an affirmative vote of a majority of the shares present, in person or represented by proxy, and voting on each such matter is required for approval. Abstentions are included in the number of shares present or represented and voting on each matter. Accordingly, for Proposals 2 and 3, abstentions will have the same effect as voting against the matter. Brokerage firms, banks and other nominees who hold shares on behalf of their clients in “street name” are not permitted to vote the shares if the clients do not provide instructions (either vote FOR, or vote AGAINST, or ABSTAIN) on Proposals 1 and 3. Broker “non-votes” are not considered voted for the particular matter and, as a result, for Proposals 2 and 3, have the effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated. Abstentions and broker “non-votes” will have no effect in determining the outcome of Proposal 1.

The persons named as attorney-in-fact in the proxies, Ranjan Kalia, Executive Vice President, Chief Financial Officer, Treasurer and Secretary of the Company, and Paul D. Tutun, Senior Vice President, General Counsel and Assistant Secretary, were selected by the board of directors. All properly executed proxies returned in time to be counted at the annual meeting, including any votes properly made via the Internet or telephone, will be voted by such persons at the annual meeting. Where a choice has been specified on the proxy with respect to the foregoing matters, the shares represented by the proxy will be voted in accordance with the specifications. If no such specifications are indicated, such proxies will be voted FOR election of the director nominees, FOR ratification of the appointment of our independent registered public accountants and FOR the approval, on an advisory basis, of the compensation of our named executive officers.

Aside from the election of directors, the ratification of the appointment of the independent registered public accountants and the advisory vote on the compensation of our named executive officers, the board of directors knows of no other matters to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxies received by the board of directors will be voted with respect thereto in accordance with the judgment of the persons named as attorney-in-fact in the proxies.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of July 1, 2014: (i) by each person who is known by us to beneficially own more than 5% of the outstanding shares of common stock; (ii) by each director or nominee; (iii) by each named executive officer; and (iv) by all directors and executive officers as a group. Unless otherwise noted below, the address of each person listed on the table is c/o Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned(1)</u>	<u>Percentage Beneficially Owned(2)</u>
<b>Five percent stockholders:</b>		
BlackRock, Inc.(3) . . . . . 40 East 52nd Street New York, NY 10022	1,592,721	5.46%
Columbia Acorn Fund(4) . . . . . 227 West Monroe Street, Suite 3000 Chicago, IL 60606	1,985,000	6.80%
Columbia Wanger Asset Management, LLC(5) . . . . . 227 West Monroe Street, Suite 3000 Chicago, IL 60606	2,438,000	8.35%
Frontier Capital Management Co., LLC(6) . . . . . 99 Summer Street Boston, MA 02110	1,489,262	5.10%
FMR LLC(7) . . . . . 245 Summer Street Boston, MA 02210	2,335,415	8.00%
Pembroke Management, LTD(8) . . . . . 1002 Sherbrooke Street West Suite 1700 Montreal, Quebec H3A 354	1,634,900	5.60%
<b>Executive officers and directors:</b>		
Kris A. Canekeratne(9) . . . . .	1,513,573	5.16%
Thomas R. Holler(10) . . . . .	45,280	*
Ranjan Kalia(11) . . . . .	147,585	*
Roger Keith Modder(12) . . . . .	171,466	*
Raj Rajgopal(13) . . . . .	171,979	*
Robert E. Davoli(14) . . . . .	13,311	*
Izhar Armony(15) . . . . .	13,322	*
Ronald T. Maheu(16) . . . . .	92,779	*
Martin Trust(17) . . . . .	625,162	2.13%
Rowland T. Moriarty(18) . . . . .	417,481	1.43%
William K. O'Brien(19) . . . . .	65,618	*
Al-Noor Ramji(20) . . . . .	14,236	*
<b>All executive officers, directors and nominees as a group (13 persons)(21) . . . . .</b>	<b>3,319,420</b>	<b>11.13%</b>

\* Represents less than 1% of the outstanding common stock.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares.

Unless otherwise indicated below, to our knowledge, all persons listed above have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Pursuant to the rules of the Securities and Exchange Commission, the number of shares of common stock deemed outstanding for a person or group includes shares issuable pursuant to options held by such person or group that are currently exercisable or may be exercised within 60 days of July 1, 2014.

- (2) Applicable percentage of beneficial ownership for a person as of July 1, 2014 is based upon 29,193,958 shares outstanding at July 1, 2014, and those shares issuable pursuant to options held by such person or group that are currently exercisable or may be exercised within 60 days of July 1, 2014. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.
- (3) Information herein is based on Schedule 13G filed by BlackRock, Inc. on January 31, 2014. The schedule 13G provides BlackRock, Inc. owns in the aggregate 1,592,721 shares of common stock and that it has sole power to vote or direct the voting of 1,549,705 of such shares and to dispose or direct the disposition of 1,592,721 of such shares. BlackRock, Inc. is deemed to be the beneficial owner of the shares as a result of BlackRock, Inc. acting as a parent holding company in accordance with 13d-1(b)(1)(ii)(G) of the Exchange Act.
- (4) Information herein is based on Schedule 13G/A filed by Columbia Acorn Fund on February 6, 2014. The schedule 13G/A provides that Columbia Acorn Fund owns in the aggregate 1,985,000 shares of common stock and that it has sole power to vote or direct the voting of 1,985,000 of such shares and to dispose or direct the disposition of 1,985,000 of such shares. Columbia Acorn Fund is deemed to be the beneficial owner of the shares as a result of Columbia Acorn Fund acting as an investment company registered under Section 8 of the Investment Company Act.
- (5) Information herein is based on Schedule 13G/A filed by Columbia Wanger Asset Management, LLC on February 6, 2014. The schedule 13G/A provides that Columbia Wanger Asset Management, LLC owns in the aggregate 2,438,000 shares of common stock and that it has sole power to vote or direct the voting of 2,288,000 of such shares and to dispose or direct the disposition of 2,438,000 of such shares. Columbia Wanger Asset Management, LLC is deemed to be the beneficial owner of the shares as a result of Columbia Wanger Asset Management, LLC acting as an investment adviser in accordance with rule 13-d-1(b)(1)(ii)(E) of the Exchange Act.
- (6) Information herein is based on Schedule 13G/A filed by Frontier Capital Management Co., LLC on February 14, 2014. The schedule 13G/A provides Frontier Capital Management Co., LLC owns in the aggregate 1,489,262 shares of common stock and that it has sole power to vote or direct the voting of 732,266 of such shares and to dispose or direct the disposition of 1,489,262 of such shares. Frontier Capital Management Co., LLC is deemed to be the beneficial owner of the shares as a result of Frontier Capital Management Co., LLC acting as an investment adviser in accordance with Section 240.13d-1(b)(1)(ii)(E) of the Exchange Act.
- (7) Information herein is based on Schedule 13G/A filed by FMR, LLC on February 14, 2014. The Schedule 13G/A provides that FMR, LLC owns in the aggregate 2,335,415 shares of common stock and that it has sole power to vote or direct the voting of 1,002,541 of such shares and to dispose or direct the disposition of 2,335,415 of such shares. FMR, LLC is deemed to be the beneficial owner of the shares as a result of FMR, LLC acting as a parent holding company in accordance with Section 240.13d-1(b)(ii)(G) of the Exchange Act.
- (8) Information herein is based on Schedule 13G filed by Pembroke Management, LTD on January 10, 2014. The schedule 13G provides Pembroke Management, LTD owns in the aggregate 1,634,900 shares of common stock and that it has sole power to vote or direct



the voting of 1,634,900 of such shares and to dispose or direct the disposition of 1,634,900 of such shares. Pembroke Management, LTD is deemed to be the beneficial owner of the shares as a result of Pembroke Management, acting as an investment adviser in accordance with rule 13-d-1(b)(1)(ii)(E) of the Exchange Act.

- (9) Consists of 952,045 shares held directly by Mr. Canekeratne and 138,175 shares issuable to Mr. Canekeratne upon the exercise of stock options exercisable within 60 days of July 1, 2014, 301,389 shares owned by Tushara Canekeratne, the spouse of Mr. Canekeratne and a former executive officer of the Company, 60,982 shares held by the Kris Canekeratne Irrevocable Trust and 60,982 shares held by the Tushara Canekeratne Irrevocable Trust. Of the 952,045 shares held by Mr. Canekeratne, this number includes 94,026 shares of restricted stock subject to time base vesting. Excludes 52,815 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to the fiscal year ended March 31, 2014 but remain subject to time based vesting and will not settle within 60 days of July 1, 2014. The grantee retains no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but does retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.
- (10) Consists of 42,595 shares held directly by Mr. Holler and 2,685 shares issuable to Mr. Holler upon the exercise of stock options exercisable within 60 days of July 1, 2014. The number of shares held by Mr. Holler also includes 28,707 shares of restricted stock subject to time based vesting granted to Mr. Holler. Excludes 15,844 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to the fiscal year ended March 31, 2014 but remain subject to time based vesting and will not settle within 60 days of July 1, 2014. The grantee retains no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but does retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.
- (11) Consists of 90,141 shares held directly by Mr. Kalia and 57,444 shares issuable to Mr. Kalia upon the exercise of stock options exercisable within 60 days of July 1, 2014. The number of shares held by Mr. Kalia also includes 52,736 shares of restricted stock subject to time based vesting granted to Mr. Kalia. Excludes 15,844 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to fiscal year ended March 31, 2014 but remain subject to time based vesting and will not settle within 60 days of July 1, 2014. The grantee retains no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but does retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.
- (12) Consists of 153,750 shares held directly by Mr. Modder and 17,716 shares issuable to Mr. Modder upon the exercise of stock options exercisable within 60 days of July 1, 2014. The number of shares held by Mr. Modder also includes 32,139 shares of restricted stock subject to time based vesting granted to Mr. Modder. Excludes 21,125 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to the fiscal year ended March 31, 2014 but subject to time based vesting and will not settle within 60 days of July 1, 2014. The grantee retains no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but does retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.
- (13) Consists of 87,153 shares held directly by Mr. Rajgopal and includes 84,826 shares issuable to Mr. Rajgopal upon the exercise of stock options exercisable within 60 days of July 1, 2014. The number of shares held by Mr. Rajgopal also includes 34,639 shares of restricted stock subject to time based vesting granted to Mr. Rajgopal. Excludes 21,125 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to the fiscal year ended March 31, 2014 but remain

subject to time based vesting and will not settle within 60 days of July 1, 2014. The grantee retains no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but does retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.

- (14) Consists of 7,331 shares held directly by Mr. Davoli and 5,980 shares issuable to Mr. Davoli upon the exercise of stock options exercisable within 60 days of July 1, 2014.
- (15) Consists of 13,322 shares issuable to Mr. Armony upon the exercise of stock options exercisable within 60 days of July 1, 2014. Mr. Armony is a general partner of the general partner of Charles River Partnership XI, L.P. Pursuant to the terms of the Charles River Partnership XI, L.P. partnership agreement, Mr. Armony is obligated to transfer the stock options held by him, or the underlying shares or proceeds from the exercise and sale thereof, to charity.
- (16) Consists of 29,300 shares held directly by Mr. Maheu, 12,500 shares held by TNR Partnership, a limited partnership, of which Mr. Maheu's spouse is the general partner, and 50,979 shares issuable to Mr. Maheu upon the exercise of stock options exercisable within 60 days of July 1, 2014. Mr. Maheu disclaims beneficial ownership of the shares held by TNR Partnership, except to the extent of his pecuniary interest therein, if any.
- (17) Consists of 253,850 shares held directly by Mr. Trust, 125,000 shares held by the Martin Trust 2013 GRAT I, 125,000 shares held by Martin Trust 2013 GRAT for Grandchildren and 121,312 shares issuable to Mr. Trust upon the exercise of stock options exercisable within 60 days of July 1, 2014. Mr. Trust disclaims beneficial ownership of the shares held by the Martin Trust 2013 GRAT I and Martin Trust 2013 GRAT for Grandchildren, except to the extent of his pecuniary interest therein, if any.
- (18) Consists of 120,723 shares held directly by Mr. Moriarty, 154,584 shares held by Rubex LLC, a limited liability company of which Mr. Moriarty is chief investment officer, 59,195 shares held by Movex, LLC, a limited liability company of which Mr. Moriarty exerts voting and investment control, 1,000 shares held by the Thomas Moriarty Roth IRA (the son of Mr. Moriarty), 1,000 shares held by the Caroline Moriarty Roth IRA (the daughter of Mr. Moriarty), 30,000 shares held by the Moriarty Family Charitable Foundation of which Mr. Moriarty's spouse is the trustee, and 50,979 shares issuable to Mr. Moriarty upon the exercise of stock options exercisable within 60 days of July 1, 2014. Mr. Moriarty disclaims any beneficial ownership of the shares held by Rubex LLC, Movex, LLC, the Thomas Moriarty Roth IRA, the Caroline Moriarty Roth IRA and the Moriarty Family Charitable Foundation, except to the extent of his pecuniary interest therein, if any.
- (19) Includes 65,618 shares issuable to Mr. O'Brien upon the exercise of stock options exercisable within 60 days of July 1, 2014.
- (20) Includes 14,236 shares issuable to Mr. Ramji upon the exercise of stock options exercisable within 60 days of July 1, 2014.
- (21) Includes an aggregate of 623,272 shares issuable upon exercise of stock options exercisable within 60 days of July 1, 2014 held by thirteen (13) executive officers and directors. The number of shares held by these executive officers and directors include an aggregate of 264,862 shares of restricted stock subject to time based vesting. Excludes an aggregate of 139,427 shares of common stock underlying deferred restricted stock unit awards which are conditionally earned with respect to the fiscal year ended March 31, 2014 and remain subject to time based vesting but will not settle within 60 days of July 1, 2014. The grantees retain no voting rights in deferred restricted stock unit awards until shares are issued upon vesting but do retain voting rights with respect to shares of unvested restricted stock unless and to the extent that such shares are forfeited.

**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

**Nominees**

Our board of directors currently consists of eight members. Our seventh amended and restated certificate of incorporation divides the board of directors into three classes. One class is elected each year for a term of three years. The directors are elected by a plurality of votes cast by stockholders. The board of directors, upon the recommendation of the nominating and corporate governance committee, has nominated Robert E. Davoli, William K. O'Brien, and Al-Noor Ramji and recommended that each nominee be elected to the board of directors as a class I director, each to hold office until the annual meeting of stockholders to be held in the year 2017 and until his successor has been duly elected and qualified or until his earlier death, resignation or removal. Robert E. Davoli, William K. O'Brien, and Al-Noor Ramji are each class I directors whose terms expire at this annual meeting. The board of directors is also composed of (i) three (3) class II directors (Izhar Armony, Rowland T. Moriarty and Martin Trust) whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2015 and (ii) two (2) class III directors (Kris Canekeratne and Ronald T. Maheu) whose terms expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2016. Mr. Canekeratne is our chief executive officer and the chairman of the board.

The board of directors knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the board of directors may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees named below.

For Proposal 1, the election of three (3) class I directors, the nominees receiving the highest number of affirmative votes of the shares present or represented and entitled to vote at the annual meeting shall be elected as directors.

**Recommendation of the Board**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
THAT YOU VOTE “FOR” THE NOMINEES LISTED BELOW.**

The following table sets forth the nominees to be elected at the annual meeting and continuing directors, the year each such nominee or director was first elected a director, the positions with us currently held by such nominee and director, the year such nominee’s or director’s current term will expire and such nominee’s and director’s current class:

<u>Nominee’s or Director’s Name and Year First Became a Director</u>	<u>Position(s) with the Company</u>	<u>Year Current Term Will Expire</u>	<u>Current Class of Director</u>
<b>Nominee for Class I Director:</b>			
Robert E. Davoli . . . . . 2000	Director	2014	I
William K. O’Brien . . . . . 2008	Director	2014	I
Al-Noor Ramji . . . . . 2011	Director	2014	I
<b>Continuing Directors:</b>			
Izhar Armony . . . . . 2004	Director	2015	II
Rowland T. Moriarty . . . . . 2006	Director	2015	II
Martin Trust . . . . . 2004	Director	2015	II
Kris Canekaratne . . . . . 1996	Chief Executive Officer and Chairman of the Board	2016	III
Ronald T. Maheu . . . . . 2004	Director	2016	III

## EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the executive officers, director nominees to be elected at the annual meeting, and the directors of the Company, their ages, and the positions currently held by each such person with the Company as of the date of this proxy statement.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Kris Canekeratne . . . . .	48	Chairman and Chief Executive Officer and Class III Director
Thomas R. Holler . . . . .	51	Executive Vice President and Chief Strategy Officer
Roger Keith Modder . . . . .	50	Executive Vice President and Chief Operating Officer
Raj Rajgopal . . . . .	54	President
Ranjan Kalia . . . . .	53	Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Samir Dhir . . . . .	43	Executive Vice President, Chief Delivery Officer and Head of India Operations
Robert E. Davoli(1) . . . . .	66	Class I Director
William K. O'Brien(3) . . . . .	69	Class I Director
Al-Noor Ramji(1) . . . . .	60	Class I Director
Izhar Armony(2)(3)(4) . . . . .	50	Class II Director
Martin Trust(1)(4) . . . . .	79	Class II Director
Rowland T. Moriarty(1)(2) . . . . .	67	Class II Director
Ronald T. Maheu(2)(3) . . . . .	72	Class III Director

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- (1) Member of the compensation committee
  - (2) Member of the nominating and corporate governance committee
  - (3) Member of the audit committee
  - (4) Martin Trust stepped down from the audit committee, effective April 1, 2014. Izhar Armony was appointed to the audit committee by our board of directors to replace Mr. Trust, effective April 1, 2014.

*Kris A. Canekeratne*, one of our co-founders, has served as chairman of our board of directors from our inception and chief executive officer from 1996 to 1997 and from 2000 to the present. In 1997, Mr. Canekeratne co-founded eDocs, Inc., a provider of electronic account management and customer care, later acquired by Oracle Corporation. In 1989, Mr. Canekeratne was one of the founding team members of INSCI Corporation, a supplier of digital document repositories and integrated output management products and services and served as its senior vice president from 1992 to 1996. Mr. Canekeratne obtained his B.S. in Computer Science from Syracuse University. As a co-founder and chief executive officer, Mr. Canekeratne provides a critical contribution to our board of directors, reflecting his detailed knowledge of the Company, our employees, our client base, our prospects, the global IT industry and our competitors.

*Thomas R. Holler* has served as our executive vice president and chief strategy officer since May 2011 and, prior to his promotion, served as our executive vice president, chief operating officer since October 2008. He has also previously served as our executive vice president, finance, chief financial officer, treasurer and secretary since 2001. Before joining us, from 1996 to 2001, Mr. Holler was chief financial officer and vice president of finance at Cerulean Technology, Inc., a global supplier of wireless mobile applications and services, which was later acquired by Aether Systems Inc. Mr. Holler earned his B.S. in Business Administration from Wayne State University and his M.B.A. from Northeastern University.

*Roger Keith Modder* has served as our executive vice president and chief operating officer since May 2011 and, prior to his promotion, served as president, Asia and executive vice president, global services since October 2008. He also has previously served as our executive vice president and managing director, Asian operations since 2001. Mr. Modder also was a member of our board of directors from April 2004 to October 2004. Prior to joining us, Mr. Modder worked for the John Keells Group where he held managing director positions for two IT solutions companies in the John Keells Group. Mr. Modder is a member of the board of directors of the Lanka Software Foundation and Commercial Bank, a large private bank in Sri Lanka and in Bangladesh, and has been a member of the ICT Advisory Committee of the Sri Lanka Export Development Board.

*Raj Rajgopal* has served as our president since May 2013. Prior to his promotion, Mr. Rajgopal served as our executive vice president, business development and client services since October 2008 and served as our general manager of communications, content, and technology, or CCT, Business Unit beginning when he joined us in April 2005. Prior to joining us, from 2003 to April 2005, Mr. Rajgopal served as President, Rajgopal Management Consulting, a consulting company, which provided consulting services to us from time to time from January 2004 to March 2005. From September 1990 to April 2003, Mr. Rajgopal held several positions with Cap Gemini Ernst & Young, a consulting company, including serving most recently as Vice President, Management Consulting. Mr. Rajgopal graduated from the Indian Institute of Technology, with a B.S. in Mechanical Engineering, earned his M.S. in Industrial Engineering and Operations Research and in Computer Science from Virginia Tech and earned his M.B.A. from Massachusetts Institute of Technology (M.I.T.), Sloan School of Management.

*Ranjan Kalia* has served as our executive vice president, chief financial officer, treasurer and secretary since October 2012. Prior to his promotion, Mr. Kalia served as our senior vice president, chief financial officer, treasurer and secretary since October 2008 and senior vice president, finance since he joined us in April 2008. Prior to joining us, from 2000 to December 2007, Mr. Kalia served as Vice President, Finance Emerging Markets and International Development and Chief Financial Officer—Asia Pacific for EMC Corporation. Mr. Kalia received a M.B.A. from Nichols College and an undergraduate degree from Delhi University, India.

*Samir Dhir* has served as our executive vice president, chief delivery officer and head of India operations since May 2013. Prior to his promotion, Mr. Dhir served as our senior vice president, global delivery head and head of India operations since February 2010 and as an executive officer since April 1, 2011. Prior to joining us, Mr. Dhir worked for Wipro Technologies where he managed a delivery organization with over 5,000 IT professionals focused on the technology, media and transportation industries. Mr. Dhir also led Wipro's SAP Practice and managed services business. Prior to his time at Wipro, Mr. Dhir held leadership positions with Avaya Inc. and Lucent Technologies in the United Kingdom. Mr. Dhir received his M.B.A. from the Warwick Business School, UK and holds a B.Tech from the Indian Institute of Technology Roorkee.

*Robert E. Davoli* has served as a member of our board of directors since 2000. Mr. Davoli has been managing director of Sigma Partners, a venture capital investment firm, since November 1995 and managing director of Sigma Prime Ventures since 2012. From February 1993 to September 1994, Mr. Davoli was president and chief executive officer of Epoch Systems, Inc., a vendor of client-server data management software products. From 1990 to 1992, Mr. Davoli served as an executive officer of Sybase, Inc. (which acquired SQL Solutions). In 1985, Mr. Davoli founded SQL Solutions, a purveyor of services and tools for the relational database market where he was president and chief executive officer from 1985 to 1990. Mr. Davoli holds a B.A. in History from Ricker College and studied Computer Science at Northeastern University for two years. Mr. Davoli brings to the board of directors his broad entrepreneurial experience, his extensive experience in the technology industry and his service as a director of the Company since 2000, which affords him unique perspectives on our growth and evolution.



*Izhar Armony* has served as a member of our board of directors since April 2004. Mr. Armony has been a partner at Charles River Ventures, a venture capital investment firm, since 1997. Mr. Armony currently serves as a member of the board of directors of RPX Corporation, a provider of patent risk solutions, and is also a member of the Advisory Board of the Invention Science Fund. Prior to joining Charles River Ventures, Mr. Armony was with Onyx Interactive, an interactive training company based in Tel Aviv where he served as vice president of marketing and business development. Mr. Armony also served as an officer in the Israeli Army. Mr. Armony received an M.B.A. from the Wharton School of Business and an M.A. in Cognitive Psychology from the University of Tel Aviv in Israel. Mr. Armony brings to the board of directors his extensive experience in the technology industry, through both company operations and venture capital investment, which makes him particularly well-suited to help the board address the specific types of challenges commonly faced by technology companies.

*Ronald T. Maheu* has served as a member of our board of directors since April 2004. Mr. Maheu retired in July 2002 from PricewaterhouseCoopers LLP. Mr. Maheu was a senior partner at PricewaterhouseCoopers LLP from 1998 to July 2002. Mr. Maheu was a founding member of Coopers & Lybrand's board of partners. Following the merger of Price Waterhouse and Coopers & Lybrand in 1998, Mr. Maheu served on both the United States and global boards of partners and principals of PricewaterhouseCoopers until 2001. Mr. Maheu currently serves as a member of the board of directors of WEX Inc. (formerly Wright Express Corporation) and CRA International, Inc. Mr. Maheu brings to the board of directors his extensive financial and accounting expertise which he has put to use as chairman of our audit committee, as well as his extensive service on boards of public companies.

*Martin Trust* has served as a member of our board of directors since October 2004. Mr. Trust is chief executive officer of Samtex (USA), Inc., a holding company engaged in the production of apparel and textile products, a position he has held since October 2003. Mr. Trust was senior advisor to Limited Brands, a retailer of apparel and personal care products, from 2001 to October 2003. Prior to that, Mr. Trust served as president and chief executive officer of Mast Industries, Inc., a contract manufacturer, importer and wholesaler of women's apparel and wholly-owned subsidiary of Limited Brands, from 1970 to 2001. Mr. Trust has served in the capacity of cleared advisor to the United States Department of Commerce with regard to textile trade issues. He was a member of the board of directors of Staples, Inc. from 1987 to 2009. Mr. Trust brings to the board of directors many years of executive management and leadership experience and provides invaluable advice and input regarding our strategic and financial affairs.

*Rowland T. Moriarty* has served as a member of our board of directors since July 2006. Mr. Moriarty is currently chairman of the board of directors of CRA International, Inc., a worldwide economic and business consulting firm. Mr. Moriarty also serves as a member of the board of directors of WEX Inc. (formerly Wright Express Corporation) and Staples, Inc. Mr. Moriarty has been the president and chief executive officer of Cubex Corporation, a privately-held consulting company, since 1981. From 1981 to 1992, Mr. Moriarty was Professor of Business Administration at Harvard Business School. He received a D.B.A. from Harvard University, an M.B.A. from the Wharton School of Business and a B.A. from Rutgers University. Mr. Moriarty brings to the board of directors a thorough understanding of our business, as well as his extensive experience regarding the operation and management of complex global organizations.

*William K. O'Brien* has served as a director since November 2008. Mr. O'Brien served as chief executive officer of Enterasys Networks from April 2002 until March 2006, and was named executive chairman of the board in 2004. Prior to Enterasys, Mr. O'Brien worked for over thirty years at PricewaterhouseCoopers, where he served in a number of roles including chief operating officer of the former Coopers & Lybrand, with responsibility for the audit, tax, and financial advisory components of the U.S. business; managing partner for the Boston office; and deputy chairman in the New York-based National office, responsible for international operations and the development of core competitive

competencies. He currently serves on the board of directors of Camp Dresser & McKee, Inc., a provider of engineering, consulting, construction, and operations services, and Mercury Computer Systems, Inc., a global provider of data processing systems, software, and services. He is a graduate of Bentley College. Mr. O'Brien brings to the board of directors his extensive financial and accounting expertise, as well as his strong leadership and management background.

*Al-Noor Ramji* has served as a director since February 2011. Mr. Ramji is currently the chief strategy officer of Calypso Technology, Inc., a global application software provider that sells an integrated suite of trading and risk applications to the capital markets function within banks and other financial institutions, a position he has held since March 2014. From April 2010 to June 2013, Mr. Ramji has been the executive vice president and general manager, Misys Banking, at Misys PLC, a mid-size software company that serves the financial services industry. From May 2004 to March 2010, Mr. Ramji served in various executive roles at British Telecom, most recently as chief executive officer for BT Innovate and Design and chief information officer and chief technology officer of BT Group plc. Prior to British Telecom, Mr. Ramji was executive vice president, chief information officer and chief e-commerce officer for Qwest Communications. Mr. Ramji has also served as chief information officer at UBS (then called SBC) and, prior to UBS, as global head of operations at Credit Suisse First Boston. Mr. Ramji is currently serving on the board of directors and as a member of the compensation, audit, and nomination committees of iSoftStone, a leading Chinese based global technology outsourcer. Mr. Ramji is a Chartered Financial Analyst and holds a BSc in Electronics from the University of London. He is a multi-year winner of the CIO 100 Award, CIO Insight IT Leader of the Year 2009, and the British Computer Society CIO of the Year. Mr. Ramji brings to the board of directors his extensive industry, domain and operational experience arising from holding management positions in large, complex technology companies, which enables him to provide invaluable insights to the challenges facing IT application outsourcing companies with respect to both the markets and clients being served.

Our executive officers are elected by the board of directors on an annual basis and serve until their successors have been duly elected and qualified or until their earlier death, resignation or removal.



## **CORPORATE GOVERNANCE AND BOARD MATTERS**

### **Board Leadership Structure**

Mr. Canekeratne, a founder of our company, serves as our chief executive officer and chairman of the board. The board of directors believes that having our executive officer as chairman of the board facilitates the board of directors' decision-making process because Mr. Canekeratne has first-hand knowledge of our operations and the major issues facing us, and is most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. This also enables Mr. Canekeratne to act as the key link between the board of directors and other members of management. To maintain effective independent oversight, the board of directors annually appoints a lead independent director, as discussed further in "Executive Sessions of Independent Directors" below. The board of directors believes the combined role of chief executive officer and chairman, together with a lead independent director having the duties described below, is in the best interest of stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

### **Independence of members of the Board of Directors**

The board of directors has determined that Messrs. Armony, Davoli, Maheu, Moriarty, Trust, O'Brien and Ramji are independent within the meaning of the director independence standards of The NASDAQ Stock Market, Inc., or NASDAQ, and the Securities and Exchange Commission, including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Furthermore, the board of directors has determined that each member of each of the committees of the board of directors is independent within the meaning of the director independence standards of NASDAQ and the Securities and Exchange Commission.

### **Executive sessions of independent directors; Lead independent Director**

Executive sessions of the independent directors are generally held immediately after each regularly scheduled in-person meeting of the board of directors. Executive sessions do not include any of our non-independent directors and are chaired by a lead independent director who is appointed annually by the board of directors from our independent directors. Mr. Martin Trust currently serves as the lead independent director. In this role, Mr. Trust serves as chairperson of the independent director sessions and assists the board in assuring effective corporate governance. The independent directors of the board of directors met in executive session four (4) times in our fiscal year ended March 31, 2014.

### **Role in Risk Oversight by the Board of Directors**

The board of directors' role in overseeing the management of the Company's risks is primarily accomplished through management's reporting processes, including receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risk and assessments and prioritization of such risks. The standing committees of our board of directors, pursuant to the respective charters, represent a key element of enterprise risk management. The nominating and corporate governance committee of our board of directors has been initially appointed by our board of directors to administer the enterprise risk management process as the enterprise risk management committee. The enterprise risk management committee provides oversight of the recommendations of management and associated timeline to identify and assess severity of enterprise risks, the prioritization of such risks and development of any action plans to mitigate such risks. Our audit committee focuses on risks and issues related to accounting, internal controls and financial and tax reporting. The audit committee also assesses economic and business risks and monitors compliance with ethical standards. The compensation committee identifies and oversees risks and issues associated with our executive

compensation policies and practices, and the nominating and corporate governance committee identifies and oversees risks and issues associated with director independence, related party transactions and the implementation of corporate governance policies and our code of ethics. All of these committees are ultimately subject to oversight and direction of the full board of directors and report directly to the board of directors on these matters.

## **Policies Governing Director Nominations**

### ***Director qualifications***

The nominating and corporate governance committee of the board of directors is responsible for reviewing with the board of directors from time to time the appropriate qualities, skills and characteristics desired of members of the board of directors in the context of the needs of the business and current make-up of the board of directors. This assessment includes consideration of the following minimum qualifications that the nominating and corporate governance committee believes must be met by all directors:

- nominees must have experience at a strategic or policy making level in a business, government, non-profit or academic organization of high standing;
- nominees must be highly accomplished in their respective fields, with superior credentials and recognition;
- nominees must be well regarded in the community and shall have a long-term reputation for the highest ethical and moral standards;
- nominees must have sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve; and
- nominees must be free of conflicts of interest and potential conflicts of interest, in particular with relationships with other boards.

We do not have a formal diversity policy. However, as part of its evaluation of director candidates and in addition to other standards the nominating and corporate governance committee may deem appropriate from time to time for the overall structure and composition of the board of directors, the nominating and corporate governance committee considers whether each candidate, if elected, assists in achieving a mix of board members that represent a diversity of background and experience. Accordingly, the board of directors seeks members from diverse professional backgrounds who combine a broad spectrum of relevant industry and strategic experience and expertise that, in concert, offer us and our stockholders diversity of opinion and insight in the areas most important to us and our corporate mission. In addition, nominees for director are selected to have complementary, rather than overlapping, skill sets. All candidates for director nominee must have time available to devote to the activities of the board of directors. The nominating and corporate governance committee also considers the independence of candidates for director nominee, including the appearance of any conflict in serving as a director. Candidates for director nominee who do not meet all of these criteria may still be considered for nomination to the board of directors, if the nominating and corporate governance committee believes that the candidate will make an exceptional contribution to us and our stockholders.

### ***Process for identifying and evaluating director nominees***

The board of directors is responsible for selecting its own members. The board of directors delegates the selection and nomination process to the nominating and corporate governance committee, with the expectation that other members of the board of directors, and of management, will be requested to take part in the process as appropriate.

Generally, the nominating and corporate governance committee identifies candidates for director nominees in consultation with management, through the use of search firms or other advisors, through the recommendations submitted by stockholders or through such other methods as the nominating and corporate governance committee deems to be helpful to identify candidates. Once candidates have been identified, the nominating and corporate governance committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the nominating and corporate governance committee. The nominating and corporate governance committee may gather information about the candidates through interviews, detailed questionnaires, comprehensive background checks or any other means that the nominating and corporate governance committee deems to be helpful in the evaluation process. The nominating and corporate governance committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the board of directors. Based on the results of the evaluation process, the nominating and corporate governance committee recommends candidates for the board of directors' approval as director nominees for election to the board of directors. The nominating and corporate governance committee also recommends candidates to the board of directors for appointment to the committees of the board of directors.

***Procedures for recommendation of director nominees by stockholders***

The nominating and corporate governance committee will consider director nominee candidates who are recommended by our stockholders. Stockholders, in submitting recommendations to the nominating and corporate governance committee for director nominee candidates, shall follow the following procedures:

All recommendations for nomination must be in writing and include the following:

- Name and address of the stockholder making the recommendation, as they appear on our books and records, and of such record holder's beneficial owner;
- Number of shares of our capital stock that are owned beneficially and held of record by such stockholder and such beneficial owner;
- Name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the individual recommended for consideration as a director nominee;
- All other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including the recommended candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if approved by the board of directors and elected; and
- A written statement from the stockholder making the recommendation stating why such recommended candidate meets our criteria and would be able to fulfill the duties of a director.

Nominations must be sent to the attention of our secretary by U.S. mail (including courier or expedited delivery service) to Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581.

Our secretary will promptly forward any such nominations to the nominating and corporate governance committee. The nominating and corporate governance committee must receive any such recommendation for nomination not later than the close of business on the 120th day nor earlier than the close of business on the 150th day prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting. Once the nominating and corporate governance committee receives the nomination of a candidate and the candidate has

complied with the minimum procedural requirements above, such candidacy will be evaluated and a recommendation with respect to such candidate will be delivered to the board of directors.

#### **Policy Governing Stockholder Communications with the Board of Directors**

The board of directors provides to every stockholder the ability to communicate with the board of directors as a whole and with individual directors on the board of directors through an established process for stockholder communication.

Any of our stockholders who wish to communicate directly with the board of directors or an individual member of the board of directors may do so by sending such communication by U.S. Mail (including courier or expedited delivery service) addressed to the chairman of the board, as a representative of the entire board of directors, or to the individual director or directors, in each case, c/o Secretary, Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581.

We will forward any such stockholder communication to the chairman of the board of directors, as a representative of the board of directors, or to the director to whom the communication is addressed, on a periodic basis.

#### **Policy Governing Director Attendance at Annual Meetings of Stockholders**

Our policy is to encourage all of our directors to be present at our annual stockholder meetings. Six of our eight members of our board attended our annual meeting of stockholders held in 2013 (in person or via conference call).

#### **Board of Directors' Evaluation Program**

The board of directors performs annual self-evaluations of its composition and performance, including evaluations of its standing committees and individual evaluations for each director. In addition, each of the standing committees of the board of directors conducts its own self-evaluation, which is reported to the board of directors. The board of directors retains the authority to engage its own advisors and consultants.

#### **Stock Ownership Guidelines**

We have adopted equity ownership guidelines for our executive officers and directors to further align their interests with those of our stockholders. Under the guidelines, executives and directors are expected to hold common stock in an amount equal to a multiple of their base salary as determined by their position or annual board retainer as applicable. These equity ownership guidelines are discussed further elsewhere in this proxy statement in the section entitled "Compensation Analysis and Discussion."

#### **Hedging and Pledging Policies**

We have adopted insider trading policies and procedures applicable to all of our employees, including our named executive officers. Our insider trading policies do not permit any insiders, including the named executive officers and board members, to "hedge" ownership of Virtusa securities, or otherwise engage in short sales or purchases or sales of any other type of derivative securities with respect to Virtusa securities. In addition, no insider, including our named executive officer and board members, may pledge Virtusa securities. Under our policy, we designate all executive officers and board members as "insiders," as well as any other employee who is designated as an insider by the General Counsel of the Company, if the General Counsel determines that such employee, in the ordinary course of performance of his or her duties, may have access to material, nonpublic information regarding the Company.

**Code of Ethics**

We have adopted a “code of ethics,” as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act, that applies to all of our directors and employees worldwide, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. A current copy of the Code of Business Conduct and Ethics is available at the Corporate Governance section of our website at <http://www.virtusa.com>. A copy of the Code of Business Conduct and Ethics may also be obtained, free of charge, from us upon a request directed to: Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581, Attention: Investor Relations. We intend to disclose any amendment to or waiver of a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website available at <http://www.virtusa.com> and/or in our public filings with the Securities and Exchange Commission.

For more corporate governance information, you are invited to access the Corporate Governance section of our website available at <http://www.virtusa.com>.

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

### Board of directors

The board of directors met nine (9) times during the fiscal year ended March 31, 2014, and took action by unanimous written consent one (1) time. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the board of directors and the total number of meetings of all committees of the board of directors on which they served during the fiscal year ended March 31, 2014. The board of directors has the following standing committees: audit committee; compensation committee; and nominating and corporate governance committee, each of which operates pursuant to a separate charter that has been approved by the board of directors. A current copy of each charter is available at the Corporate Governance section of our website at <http://www.virtusa.com>. Each committee reviews the appropriateness of its charter at least annually. Each committee retains the authority to engage its own advisors and consultants. The composition and responsibilities of each committee are summarized below.

### Audit committee

The audit committee of the board of directors currently consists of Messrs. Maheu, O'Brien and Armony, each of whom is an independent director within the meaning of the director independence standards of NASDAQ and the Securities and Exchange Commission, or SEC, including Rule 10A-3(b)(1) under the Exchange Act. Mr. Maheu serves as the chairman of the audit committee. Effective April 1, 2014, Mr. Martin Trust stepped down from the audit committee and our board appointed Mr. Izhar Armony to the audit committee to replace Mr. Trust. In addition, the board of directors has determined that each of Mr. Maheu and Mr. O'Brien qualifies as an "audit committee financial expert" under the rules of the SEC. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Maheu and Mr. O'Brien's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon Mr. Maheu or Mr. O'Brien any duties, obligations or liability that are greater than are generally imposed on him as a member of the audit committee and the board of directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the audit committee or the board of directors.

The audit committee met nine (9) times and took action by unanimous written consent one (1) time during the fiscal year ended March 31, 2014. The audit committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.virtusa.com>.

As described more fully in its charter, the audit committee oversees our accounting and financial reporting processes, internal controls and audit functions. In fulfilling its role, the audit committee responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;

- establishing policies and procedures for the receipt and retention of accounting related complaints and concerns; and
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement.

### **Compensation committee**

The compensation committee of the board of directors currently consists of Messrs. Trust, Davoli, Moriarty and Ramji, each of whom is an independent director within the meaning of the director independence standards of NASDAQ, a non-employee director as defined in Rule 16b-3 of the Exchange Act, and an outside director pursuant to Section 162(m) of the Internal Revenue Code. Mr. Trust serves as the chairman of the compensation committee. The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;
- evaluating the performance of our chief executive officer and other executive officers in light of such corporate goals and objectives and determining the compensation of our chief executive officer and other executive officers;
- overseeing and administering our compensation, welfare, benefit and pension plans and similar plans; and
- reviewing and making recommendations to the board with respect to director compensation.

The compensation committee met six (6) times and took action by unanimous written consent one (1) time during the fiscal year ended March 31, 2014. The compensation committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.virtusa.com>.

### **Nominating and corporate governance committee**

The nominating and corporate governance committee of the board of directors currently consists of Messrs. Moriarty, Armony and Maheu, each of whom is an independent director within the meaning of the director independence standards of NASDAQ. Mr. Moriarty serves as the chairman of the nominating and corporate governance committee. The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the board criteria for board and committee membership;
- establishing procedures for identifying and evaluating director candidates including nominees recommended by stockholders;
- identifying individuals qualified to become board members;
- recommending to the board the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of the board and management.

The nominating and corporate governance committee has also been initially appointed by our board of directors to administer the enterprise risk management process as the enterprise risk management committee. The enterprise risk management committee provides oversight of the



recommendations of management and associated timeline to identify and assess severity of enterprise risks, the prioritization of such risks and development of any action plans to mitigate such risks.

The nominating and corporate governance committee met three (3) times during the fiscal year ended March 31, 2014. The nominating and corporate governance committee operates under a written charter adopted by the board of directors, a current copy of which is available at the Corporate Governance section of our website at <http://www.virtusa.com>.

**Compensation committee interlocks and insider participation**

During our fiscal year ended March 31, 2014, Messrs. Trust, Davoli, Moriarty and Ramji served as members of the compensation committee. No member of the compensation committee was an employee or former employee of us or any of our subsidiaries, or had any relationship with us requiring disclosure herein.

During our fiscal year ended March 31, 2014, no executive officer of the Company served as: (i) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our compensation committee; (ii) a director of another entity, one of whose executive officers served on our compensation committee; or (iii) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Company.



## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

*No portion of this audit committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.*

The board of directors appointed us as an audit committee to monitor the integrity of Virtusa Corporation's (the "Company's") consolidated financial statements, its system of internal controls and the independence and performance of its internal auditor and independent registered public accounting firm. As an audit committee, we select the independent registered public accounting firm.

We are governed by a written charter adopted by the audit committee and our board of directors, which is available through the Investor Relations page of our website at [www.virtusa.com](http://www.virtusa.com).

The audit committee consisted of three members, Messrs. Maheu, Trust and O'Brien, all non-employee directors at the time that the actions of the committee described in this report were undertaken during the Company's fiscal year ended March 31, 2014. Effective April 1, 2014, Mr. Trust stepped down from the audit committee and Mr. Izhar Armony was appointed to the audit committee by the board of directors to replace Mr. Trust. None of the members of the audit committee is an officer or employee of the Company, and the board of directors has determined that each member of the audit committee meets the independence requirements promulgated by The NASDAQ Stock Market, Inc. and the Securities and Exchange Commission, including Rule 10A-3(b)(1) under the Exchange Act. Both Messrs. Maheu and O'Brien are "audit committee financial experts" as is currently defined under SEC rules. The audit committee operates under a written charter adopted by the board of directors.

The Company's management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm is responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. However, we are not professionally engaged in the practice of accounting or auditing. We have relied, without independent verification, on the information provided to us and on the representations made by the Company's management and the independent registered public accounting firm.

In fulfilling our oversight responsibilities, we discussed with representatives of KPMG LLP, the independent registered public accounting firm for our fiscal year ended March 31, 2014, the overall scope and plans for their audit of the consolidated financial statements for the fiscal year ended March 31, 2014. We met with them, with and without the Company's management present, to discuss the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting. We reviewed and discussed the audited consolidated financial statements for the fiscal year ended March 31, 2014 with management and the independent registered public accounting firm.

We also reviewed the report of management contained in the Annual Report on Form 10-K for the fiscal year ended March 31, 2014, filed with the Securities and Exchange Commission, on its assessment of the effectiveness of the Company's internal control over financial reporting, as well as the Reports of Independent Registered Public Accounting Firm included in the Annual Report on Form 10-K related to KPMG's audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting. We continue to oversee the Company's efforts

related to its internal control over financial reporting and management's preparations for the evaluation in the Company's fiscal year ending March 31, 2015.

We discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board, including a discussion of the Company's accounting principles, the application of those principles, and the other matters required to be discussed with audit committees under generally accepted auditing standards.

We have reviewed the permitted services under rules of the Securities and Exchange Commission as currently in effect and discussed with KPMG their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. In evaluating the independence of our independent registered public accountant, we considered whether the services they provided beyond their audit and review of the consolidated financial statements were compatible with maintaining their independence. We also considered the amount of fees they received for audit and non-audit services.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in the audit committee charter, we recommended to the board of directors that the audited consolidated financial statements for the fiscal year ended March 31, 2014 be included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

#### THE AUDIT COMMITTEE

Ronald T. Maheu, Chair  
Martin Trust (stepped down, effective April 1, 2014)  
William K. O'Brien  
Izhar Armony (joined, effective April 1, 2014)

## REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

*No portion of this compensation committee report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the proxy statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.*

The compensation committee of the board of directors, which is comprised solely of independent directors within the meaning of applicable rules of The NASDAQ Stock Market, Inc., outside directors within the meaning of Section 162 of the Internal Revenue Code of 1986, as amended, and non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, is responsible for developing executive compensation policies and advising the board of directors with respect to such policies and administering the Company's cash incentive, stock option and equity incentive plans. The compensation committee sets performance goals and objectives for the chief executive officer and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer pay, the compensation committee may retain the services of a compensation consultant and consider recommendations from the chief executive officer with respect to goals and compensation of the other executive officers. The compensation committee assesses the information it receives in accordance with its business judgment. The compensation committee also periodically reviews director compensation. It has been our practice that decisions with respect to executive and director compensation are approved by the compensation committee and generally are also recommended to the full board (but only to the independent, outside directors thereof) for approval and/or ratification. Messrs. Trust, Davoli, Moriarty and Ramji are the current members of the compensation committee.

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the fiscal year ended March 31, 2014 with management. In reliance on the reviews and discussions referred to above, the compensation committee has approved of the CD&A, and has recommended to the board of directors, and the board of directors has approved, the CD&A for inclusion in the proxy statement for the fiscal year ended March 31, 2014 for filing with the Securities and Exchange Commission.

Respectfully submitted by the  
Compensation Committee,

Martin Trust (chairman)  
Robert E. Davoli  
Rowland T. Moriarty  
Al-Noor Ramji

## COMPENSATION AND OTHER INFORMATION CONCERNING DIRECTORS AND OFFICERS

### Compensation discussion and analysis

#### *Overview*

We believe that the compensation of our executive officers should focus executive behavior on the achievement of near-term corporate targets as well as long-term business objectives and strategies. We place significant emphasis on pay-for-performance compensation programs, which reward our executives when we achieve certain financial and business goals and create stockholder value. We use a combination of base salary, annual cash incentive compensation programs, a long-term equity incentive compensation program and a broad-based benefits program to create a competitive compensation package for our executive management team. We describe below our compensation philosophy, policies and practices with respect to our chief executive officer, chief financial officer and our other executive officers. We refer to our chief executive officer, chief financial officer and the other three executive officers listed in the summary compensation table below as our named executive officers.

#### *Administration and objectives of our executive compensation program*

Our compensation committee, which is comprised entirely of independent directors, is responsible for establishing and administering our policies governing the compensation for our executive officers, including executive officer salaries, bonuses and equity incentive compensation. The compensation committee reviews all components of compensation for our named executive officers. In accordance with its charter, the compensation committee also, among other responsibilities, administers our incentive compensation plan, and reviews and makes recommendations to management on company-wide compensation programs and practices. It has been our practice that all decisions with respect to executives are approved by the compensation committee and generally are also recommended to the independent, outside members of our full board for approval and/or ratification.

Our compensation committee has designed our overall executive compensation program to achieve the following objectives:

- attract and retain talented and experienced executives;
- motivate and reward executives whose knowledge, skills and performance are critical to our success;
- provide a competitive compensation package that aligns the interests of our executive officers and stockholders by including a significant variable component which is weighted heavily towards performance-based rewards, based upon achievement of certain measurable operating results such as revenue and operating profit;
- ensure fairness among the executive management team by recognizing the contributions each executive makes to our success;
- foster a shared commitment among executives by aligning their individual goals with our corporate goals; and
- compensate our executives to manage our business to meet our near-term and long-term objectives.

#### *Methodologies for Establishing Executive Compensation*

We use a mix of short-term compensation (base salaries and variable cash incentive compensation) and long-term compensation (equity incentive compensation) to provide a total compensation structure that is designed to achieve the objectives of our executive compensation program. We determine the percentage mix of compensation structures that we think is appropriate for each of our executive

officers. In general, the compensation committee believes that a substantial percentage of the compensation of our executive officers should be performance-based.

The compensation committee meets outside the presence of the executive officers and uses its judgment and experience and the recommendations of the chief executive officer (except for his own compensation) to determine the appropriate mix of compensation for each individual. The compensation committee has the authority to engage the services of outside consultants and advisors to assist it with making decisions regarding the establishment of our compensation programs and philosophy. The compensation committee retained Meridian Partners as its independent compensation consultant to advise the compensation committee in matters related to executive officer and director compensation for our 2014 fiscal year, as described in more detail below. Meridian Partners does not provide any services to us other than the executive compensation services provided to the compensation committee.

The compensation committee determines compensation for our chief executive officer using the same factors it uses for other executive officers, placing relatively less emphasis on base salary, and instead, creating greater performance-based opportunities through long-term equity and short-term variable cash incentive compensation, which we believe better aligns our chief executive officer's interests with our success and the interests of our stockholders. In assessing the compensation paid to our chief executive officer, the compensation committee relies on both information from our selected peer group and its judgment with respect to the factors described in this section. With the input of our compensation consultant and based on the peer group analysis described in this section, the chief executive officer makes recommendations to the compensation committee regarding base salary levels, target variable cash incentive awards, equity awards and performance goals for both variable cash incentive compensation and performance based equity awards, for the named executive officers, other than his own. The compensation committee carefully considers the recommendations of the chief executive officer when making decisions on setting base salary, variable cash incentive payments under the prior fiscal year's incentive variable cash compensation plan, target amounts and performance goals for the current fiscal year's variable cash compensation plan and performance based equity awards, and any other special adjustments or variable cash compensation or equity based awards or incentives.

In determining whether to adjust the compensation of any one of our executive officers, including our named executive officers, we annually take into account the changes, if any, in the following:

- market compensation levels;
- the contributions made by each executive officer;
- the performance of each executive officer and the Company as a whole;
- the increases or decreases in responsibilities and roles of each executive officer;
- the business needs for each executive officer;
- the relevance of each executive officer's experience to other potential employers; and
- the readiness of each executive officer to assume a more significant role within the organization.

In addition to the processes and factors listed above, our compensation committee engaged a consultant with respect to our fiscal 2014, Meridian Partners, to conduct a peer group analysis and to help us analyze applicable compensation data to determine the appropriate compensation levels for our named executive officers, including base, variable cash compensation and equity components, against the peer group and industry practices. We changed the fiscal 2014 peer group from the fiscal 2013 peer group to be more reflective of our current and projected revenues, our market capitalization and our growth rate, as well as the fact that certain companies in our fiscal 2013 peer group have been acquired or are no longer publicly traded. We added four companies and removed four companies from the

fiscal 2013 peer group to create the fiscal 2014 peer group. Our fiscal 2014 peer group included companies which were publicly held, had generally between \$198 million and \$667 million in annual revenues with median revenues of our 2014 fiscal peer group being approximately \$424 million. In our fiscal 2014 peer group, we used companies that were engaged principally in IT consulting, IT outsourcing services or technology related services or solutions, and were primarily based or headquartered in the United States. These peer group companies were ACI Worldwide Inc., Asiainfo-Linkage Inc., Blackbaud Inc., Blucora, Inc., Computer Task Group Inc., Epam Systems, Inc., ExlService Holdings Inc., Higher One Holdings, Inc., Lionbridge Technologies, Inc., Liquidity Services Inc., Net 1 UEPS Technologies Inc., Perficient, Inc., PRGX Global Inc., Rosetta Stone Inc. and Ultimate Software Group, Inc. We believe that the practices of this peer group of companies provide us with appropriate compensation benchmarks because these companies are generally similarly sized companies in revenues, with comparable profit margins and growth rates. These peer group companies also have similar organizational structures and may also compete with us to attract executives and other employees. For benchmarking executive compensation, we typically review the compensation data we collect from our peer group. While we generally target the market median of our peer group in recommending and approving compensation for our executive officers to remain competitive, we also consider the other factors listed in this section.

Moreover, the compensation committee considered the advisory proposal approving named executive officer compensation that was completed for our 2013 annual meeting of stockholders. Of stockholder votes received, an overwhelming majority—over ninety-seven percent—of our stockholders voted to approve our “say on pay” proposal. Votes regarding the non-binding, advisory proposal approving compensation of our named executive officers were as follows:

For . . . . .	22,360,171	97.25%
Against . . . . .	327,066	1.42%
Abstain . . . . .	305,559	1.33%
Non-Votes . . . . .	1,233,411	N/A

The compensation committee believes this affirms shareholders’ support of our approach to executive compensation, and therefore did not significantly change its approach in our fiscal year ended March 31, 2014. The compensation committee will continue to consider the outcome of our say-on-pay votes, regulatory changes and emerging best practices when making future compensation decisions for our named executive officers.

We have reassessed the relevance of our peer group for fiscal 2014 and we generally reassess the relevance of our peer group annually and make changes when judged appropriate. We believe that the use of a peer group analysis and generally targeting the market median of our peer group are important factors in remaining competitive with our peers and furthering our objective of attracting, motivating and retaining highly qualified personnel.

***Executive compensation components***

Our fiscal 2014 executive compensation program is primarily composed of base salary, annual incentive variable cash compensation payable on an annual basis and both performance and time based equity compensation. Our compensation committee has not adopted a formal policy for allocating between various forms of compensation. However, we generally strive to provide our named executive officers with a balance of short-term and long-term incentives to encourage consistently strong performance and be competitive within our peer group. With respect to various equity-based awards, we typically grant stock options or restricted stock awards, including performance-based restricted stock, as a means of providing longer-term equity-based incentives to our executives. In addition, we provide our executives with benefits that are generally available to our salaried employees, including medical, dental, vision, group life and accidental death and dismemberment insurance and our 401(k)



plan. In April 2007, in connection with our initial public offering, we entered into agreements with each of Messrs. Canekeratne, Holler and Modder, and in July 2009, entered into similar agreements with each of Messrs. Rajgopal and Kalia, that provide for certain severance benefits upon termination of employment or a change in control. See the Section below, “Potential payments upon termination or change in control.”

Within the context of the overall objectives of our compensation programs, we determined the specific amounts of compensation, including base salary, variable incentive cash compensation and equity compensation, to be paid to each of our executives for our fiscal year ended March 31, 2014 based on a number of factors, including:

- designing our compensation programs to be competitive with the peer group companies reviewed by our compensation committee in the IT services, IT consulting and/or technology industries (as set forth above) and generally targeted at the market median (50th percentile);
- the roles and responsibilities of our executives;
- the individual experience and skills of, and expected contributions from, our executives;
- the amounts of compensation being paid to our other executives;
- our executives’ historical compensation at our Company; and
- the provisions of applicable employment agreements.

In addition to the criteria above, the actual amount and allocation of total compensation (i.e., base salary, variable incentive cash compensation awards and equity awards) paid or issued to our named executive officers also reflects the timing and circumstances of when the executive joined us, the equity holdings of the executive officer and the geographic location of such executive officer. For instance, our founder, chairman and chief executive officer, Mr. Canekeratne, has a substantial equity interest in us and his current cash and equity compensation partially reflects this situation. In addition, the compensation paid to Mr. Modder, who resides in Sri Lanka, partially reflects the lower cost geography of Sri Lanka. Although no formal policy for allocating between various forms of compensation has been adopted, our overall compensation, and each element of compensation, for these executives, in part, reflects our objective of targeting the median compensation of our peer group companies listed above, which we have selected for our compensation benchmarking for our fiscal year 2014.

We discuss each of the primary elements of our executive compensation in detail below. While we have identified particular compensation objectives that each element of executive compensation serves, our compensation programs complement each other and collectively serve all of our executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation, each element to a greater or lesser extent serves each of our objectives.

*Base salary.* Our compensation committee annually reviews salary ranges and individual salaries for our executive officers. We have historically established base salaries for each of our executives based on many factors, including competition in the marketplace to hire and retain executives, our performance, experiences of our directors and leadership team with respect to salaries and compensation of executives in similarly situated companies in the IT industry and other similar industries, the factors listed in the section above, as well as additional factors, which we believe enables us to hire and retain our leadership team in an extremely competitive environment. We structure executive salaries so that these salaries are at least comparable with salaries paid by the peer companies listed in the section above. We generally target base salaries for each of our executives at the market median (50th percentile) in this peer group and also take into consideration many additional factors that we believe enable us to attract, motivate and retain our leadership team in an extremely competitive environment.

Based on the factors listed above, during our fiscal year ended March 31, 2014, our compensation committee, with board of director ratification, established annual base salaries for our chief executive officer, chief strategy officer, president, executive vice president and chief operating officer, and our chief financial officer at \$425,000, \$310,000, \$350,000, \$255,000 and \$330,000, respectively, which represent an increase of 0%, 0%, 4%, 0% and 0% from the base compensation to our executive officers in fiscal 2013. On May 22, 2013, our board of directors promoted Mr. Rajgopal to president from executive vice president, business development and client services, and pursuant to this promotion, the compensation committee recommended, and our board of directors approved, effective July 1, 2013, an increase to Mr. Rajgopal's base salary to \$350,000 which reflects the annual increase of 4% from his base salary in fiscal 2013 noted above. For our fiscal year ended March 31, 2014, except in connection with the promotion of Mr. Rajgopal to president, our compensation committee and our board of director's philosophy and strategy were to maintain current base salaries from fiscal 2013 and shift any increases in cash compensation to performance based compensation under the terms of our variable cash compensation program.

We believe that the base salaries paid to our executive officers during our fiscal year ended March 31, 2014 achieve our executive compensation objectives and are competitive with those of similarly-situated companies.

*Variable incentive cash compensation award program.* We have designed our variable incentive cash compensation award program, or VCCP, to reward our executive officers upon the achievement of certain significant annual revenue and operating income goals, as approved in advance by our compensation committee and board of directors. Our VCCP emphasizes pay-for-performance and is intended to closely align executive compensation with achievement of certain operating results and an increase in stockholder value. For our fiscal year ended March 31, 2014, our compensation committee, with board approval, shifted any cash compensation increases from our fiscal 2013 from base salaries (except in the case of promotions) to our VCCP based on achievement of performance based targets in our VCCP, which targets were based on achieving at least the mid-point of our financial guidance for revenue and for operating profit for our fiscal 2014, as further described below. As a general matter, the compensation committee communicates the VCCP criteria to the named executive officers at the beginning of the fiscal year. For our fiscal year ended March 31, 2014, our compensation committee (with board ratification) set the applicable revenue and operating income targets. The performance targets established by the compensation committee under the VCCP are based on our historical operating results and growth rates as well as our expected future results, and are designed to require significant effort and operational success and achievement on the part of our executives and the Company. Our compensation committee determined that it was in the best interest of the Company, and more aligned with industry practices, to measure revenue and operating income only on an annual basis for our fiscal 2014 to determine if any variable compensation was earned. In this regard, our fiscal 2014 revenue and operating income targets as approved by the compensation committee (and ratified by our board) represented a significant increase over our actual fiscal 2013 revenue and operating profit and are considered to be "stretch goals."

Our VCCP represents a significant percentage of our executive officers' base salaries and varies depending on the seniority and position of the executive officer, thus aligning our executives' compensation to our performance and creation of stockholder value. For our fiscal year ended March 31, 2014, consistent with moving more cash compensation to performance based compensation under our VCCP, the target variable compensation under our VCCP for our chief executive officer, executive vice president and chief strategy officer, president, executive vice president and chief operating officer and our chief financial officer, in dollar amounts, and as a percentage of base salary, were \$425,000 or 100%, \$200,000 or 65%, \$300,000 or 86%, \$155,000 or 61% and \$200,000 or 61%, respectively.



Our compensation committee and board of directors established the fiscal 2014 variable cash compensation targeted payouts for each individual executive officer subject to the VCCP which were primarily based on our achieving at least our financial guidance targets for revenue and operating profit for our fiscal year ended March 31, 2014, as well as such factors as the historical targets for such executive, the seniority and ability of the executive to drive corporate performance, the geographies in which such executive is located, provisions of their respective employment agreements that were negotiated at the time of hire, and our objective to target cash incentives generally at the 50th percentile of similar cash incentives provided to officers in peer group companies in the IT services and/or IT consulting industries, as reviewed by the compensation committee, and as described in more detail above. In addition, for fiscal year 2014, our compensation committee engaged Meridian Partners to assist it to establish the parameters of our VCCP.

Under the terms of the VCCP for fiscal 2014, 50% of each of the executive officer's variable cash compensation was tied to achievement of each of our fiscal 2014 revenue target and operating income target, as established and approved by our compensation committee and ratified by our board. If the applicable target is achieved, we pay our executives their applicable annual VCCP payout within 75 days of the end of our fiscal year. In addition, the VCCP provides for variable cash compensation adjustments of up to 200% of the applicable payout for the executive officer upon achievement of 107.1% of the applicable revenue target (for the revenue based payout at 100%) and 107.7% of the operating income target (for the operating income payout at 100%), as the case may be, for fiscal 2014, and down to 60% of the applicable variable compensation payout (i.e., for revenue or operating income) to the extent that we miss the revenue target by no more than 2.0% or we miss our operating income target by no more than 6.4%, respectively. We would not pay any variable cash compensation tied to revenue if the minimum revenue target was not achieved and we would not pay any variable cash compensation tied to the operating income if the minimum operating income target was not achieved, in each case for fiscal 2014.

Under the VCCP, the revenue target for the fiscal year ended March 31, 2014 was \$392 million for a 100% payout (representing a growth rate of approximately 17.7% from fiscal 2013) with the minimum revenue threshold of \$384 million (representing a growth rate of approximately 15.3% from fiscal 2013), which would result in a 60% targeted revenue payout. Based on our revenues of \$396.9 million for our fiscal year ended March 31, 2014, our executives were eligible to earn 131% of their targeted variable cash compensation tied to revenue. The operating income target for the fiscal year ended March 31, 2014, was \$45.2 million, representing a 37.4% increase from fiscal 2013 operating income. Based on our operating results for our fiscal year ended March 31, 2014, we achieved operating income of \$42.4 million for fiscal 2014 which resulted in our executives being eligible for a VCCP payout of 62% of the variable cash payout tied to operating income for a potential payout at a blended rate of 96% of the targeted amounts. However, our compensation committee, with approval of the board of directors, determined that it was in the best interests of the Company to reduce such amounts to a blended rate of 73% of the targeted amounts. Accordingly, we paid a variable cash compensation payment to our chief executive officer, chief strategy officer, president, executive vice president and chief operating officer and our chief financial officer of \$310,250, \$146,000, \$219,000, \$113,804 (reflects translation from Sri Lankan rupees back to US dollars) and \$146,000, respectively, or 73% of the aggregate, targeted amounts under our VCCP for fiscal 2014. All amounts earned under our VCCP are based on actual results of operations but any amounts of actual payouts are subject to negative discretion and must be approved by our compensation committee and board of directors.

*Equity compensation.* We also use stock options, restricted stock awards, deferred restricted stock unit awards and equity-based incentive programs to attract, retain, motivate and reward our executive officers. Through our equity-based grants, we seek to align the interests of our executive officers with our stockholders, reward and motivate both near-term and long-term executive performance and provide an incentive for retention. Our decisions regarding the amount and type of equity incentive

compensation, the allocation of equity and relative weighting of these awards within total executive compensation have been based on our compensation committee's strategy, with board approval, to increasingly allocate more of the total equity awards granted to be based on achievement of performance based metrics, as well as our understanding and individual experiences of market practices of similarly-situated companies and our negotiations with our executives in connection with their initial employment or promotion. For our fiscal year ended March 31, 2014, we also engaged Meridian Partners and used our peer group analysis, as described above, to assist us with assessing the allocation and use of equity compensation as a component of total compensation. Equity-based incentive awards are intended to be the longer-term components of our overall executive compensation program. While annual variable incentive cash compensation is designed to encourage shorter-term performance, generally performance over a one-year period, equity-based awards are designed to encourage our named executives' performance over several years.

To date, all grants of equity-based awards to our executive officers have been subject to approval first by the compensation committee and then by the board of directors at regularly scheduled or special meetings during the year. Our compensation committee has approved and our board of directors has adopted and approved an equity award grant policy, pursuant to which all equity awards must be approved by the compensation committee. Our practice is also to obtain full board approval by the independent, outside directors of our board of all equity awards approved by the compensation committee. All equity awards will be made at fair market value based on the closing market price of our common stock on the NASDAQ Global Market on the effective date of grant. While our current equity incentive plans may permit the granting of equity awards at any time, our equity award grant policy provides that we will generally grant incentive awards only on a regularly scheduled basis, as follows:

- grants made in connection with the hiring of a new employee or promotion of an existing employee will be made on a regular quarterly basis on the third trading day after we first publicly release our financial results for the quarter or year, as the case may be; and
- grants made to existing employees, other than in connection with a promotion, will generally be made, if at all, on an annual basis and will generally be made effective on the third trading day after we first publicly release our financial results for the prior quarter or year.

A number of factors are considered in determining the amount of equity incentive awards, if any, to grant to our executives, including:

- ensuring that our allocation of long-term equity incentive awards are competitive with the peer group companies reviewed by our compensation committee in the IT services, IT consulting and/or technology industries and that our executive compensation is generally targeted at the market median (50th percentile);
- the number of shares subject to, and exercise prices of, outstanding options, both vested and unvested, held by our executives;
- the vesting schedule of the unvested equity awards held by our executives; and
- the amount and percentage of our total equity on a diluted basis held by our executives.

Equity compensation awards to our named executive officers have primarily consisted of stock option awards, restricted stock awards, which vest over time, performance-based restricted stock or deferred restricted stock awards, which vest only on achievement of certain milestones or thresholds such as revenue and operating income achievement with respect to a fiscal year. Deferred restricted stock unit awards operate similarly to restricted stock awards, except that the grantee receives stock units which are settled in shares of common stock equal to the number of units earned upon vesting. The grantee does not have voting rights unless the units vest and are settled in shares. Generally, the

underlying shares are issued upon vesting (net of taxes) or the units are deemed conditionally vested based on achievement of the applicable milestone but then remain subject to time based vesting before any issuance of the underlying shares can take place. For instance, our compensation committee, with board approval, has determined that certain performance based deferred restricted stock awards which conditionally vest on achievement of certain milestones should also then be subject to time based vesting of time periods of between 18 and 36 months from the initial grant date, as further described below. Upon vesting of any restricted stock award or deferred restricted unit award, the grantee would then have full rights as a stockholder with respect to the shares issued upon vesting of the applicable restricted stock or deferred stock awards. Stock option awards provide our executive officers with the right to purchase shares of our common stock at a fixed exercise price typically for a period of up to ten (10) years, subject to continued employment with our Company. Stock options are earned on the basis of continued service to us and generally, for an initial grant, vest over four (4) years, beginning with 25% vesting one year after the date of grant, then pro-rata vesting quarterly thereafter, and, for incumbent grants, generally vest quarterly over four (4) years in sixteen (16) equal installments or 25% annually. Our compensation committee also considers restricted stock awards to our executive officers, which are subject to time-based vesting and/or performance-based vesting. With respect to restricted stock awards that are subject to time-based vesting, the executive officer has immediate voting rights as a holder of shares of restricted stock which are subject to time-based vesting, but the officer's right to continue to hold the shares (and thus any appreciation of such shares) and the right to sell such shares without restriction remain subject to the continued vesting of the shares tied to the executive's continued service. For performance-based restricted stock awards, the executive officer has immediate voting rights as a holder, except that vesting occurs only upon achievement of performance-based criteria (thus giving the officer the right to sell such shares without restriction) such as revenue or operating income targets. Shares of restricted stock which do not vest, whether time-based vesting or performance-based, are subject to repurchase or forfeiture. Thus, these grants continue to align the interests of the executive with those of the stockholders.

In August 2013, in connection with establishing executive compensation for our fiscal year ended March 31, 2014, our compensation committee established and awarded, and our board ratified, the following grants to the named executive officers listed below of shares of restricted stock which are subject to time based vesting, with 25% of the shares vesting on each of June 1, 2014, June 1, 2015, June 1, 2016 and June 1, 2017: Messrs. Canekeratne (45,761); Holler (13,728); Modder (18,304); Rajgopal (18,304), and Kalia (13,728).

Additionally, in August 2013, in connection with establishing executive compensation for our fiscal year ended March 31, 2014, our compensation committee also established and awarded, and our board ratified, performance based deferred restricted stock awards to each of Messrs. Canekeratne (45,761); Holler (13,728); Modder (18,304); Rajgopal (18,304), and Kalia (13,728) with the number of performance based shares underlying the deferred restricted stock awards conditionally vesting based only upon achievement of recognized revenue of the Company for the fiscal year ended March 31, 2014 as follows: 150% of the underlying shares conditionally vest at \$420 million, 125% of the underlying shares conditionally vest at \$400 million, 100% of the underlying shares conditionally vest at \$392 million, 75% of the underlying shares conditionally vest at \$384 million (and pro-rated vesting if we achieved revenue for fiscal 2014 between the foregoing revenue targets). No deferred restricted stock unit awards vest if revenue for fiscal 2014 is below \$384 million. To the extent that any of the underlying shares of the deferred restricted stock unit awards conditionally vest based on achievement of the foregoing performance targets, 33% of the number of the underlying shares which conditionally vested, vest on September 1, 2014 and 67% of the number of the underlying shares vest on March 1, 2016. For the fiscal year ended March 31, 2014, based on \$396.9 million in revenue, the named executive officers had the following number of underlying shares of the deferred restricted stock unit awards conditionally vested (i.e., at 115% achievement): Messrs. Canekeratne (52,815); Holler (15,844);

Modder (21,125); Rajgopal (21,125), and Kalia (15,844), subject to the time based vesting provisions above.

We believe our equity-based grants align the interests of our executive officers with our stockholders, rewards and motivates both near-term and long-term executive performance and provide an incentive for retention, with a primary focus of linking equity awards, and the vesting thereof, to the performance of our executive team to critical operating metrics like revenue and operating income. We also believe the combination of time-based vesting, along with performance based accelerators, provides both retention value and incentives to our executive officers to achieve aggressive, but achievable goals.

### **Stock Ownership Guidelines**

We introduced equity ownership guidelines in November 2010 to further align the interests of our executive officers and directors with those of our stockholders. Under the guidelines, executives are expected to hold common stock in an amount equal to a multiple of their base salary as determined by their position. The guidelines range from three times base salary (in the case of our executives, other than our chief executive officer) to five times base salary for our chairman and chief executive officer. In addition, under the guidelines, our directors are expected to hold common stock in an amount equal to four times their current annual board, cash retainer fee (excluding chairman fees). For purposes of these guidelines, stock ownership includes shares over which the executive has direct or indirect ownership or control, including restricted stock and in-the-money vested stock options, but does not include unvested performance based restricted stock or unvested stock options. Executives and directors are expected to meet their ownership guidelines within three years of becoming subject to the guidelines. All of our executives and members of the board of directors have complied with these guidelines.

### ***Other benefits***

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life and accidental death and dismemberment insurance and our 401(k) plan, in each case on the same basis as other employees. We do not currently provide a matching contribution under our 401(k) plan to any executive officers but do offer limited matching to our non-highly compensated, non-executive employees. Moreover, with the exception of plans mandated by the governments of India and Sri Lanka, we do not offer retirement benefits (except in our 401(k) Plan). Consistent with our compensation philosophy, we intend to continue to maintain our current benefits and perquisites for our executive officers. The compensation committee in its discretion may revise, amend or add to the officer's executive benefits and perquisites if it deems it advisable. We provide perquisites not normally provided to all salaried employees to Mr. Modder, who resides in Sri Lanka. We provided Mr. Modder with perquisites including full company-paid family health insurance, golf and athletic club memberships and the use of company-owned automobiles and employee provident fund and employee trust fund contributions (retirement benefits under Sri Lankan law). These perquisites are considered standard in Sri Lanka and similar to those customarily provided to other Sri Lankan-based executives. Our compensation committee approved (and our board ratified) all of the above perquisites set forth above for the fiscal year ended March 31, 2014.

### **Severance and change in control benefits**

In April 2007, we entered into executive agreements with Messrs. Canekeratne, Holler and Modder that provide for certain severance and change in control payments. In July 2009, we entered into similar agreements with Mr. Rajgopal and Mr. Kalia as a result of their promotions in fiscal 2009. Our goal in providing severance and change in control benefits is to offer sufficient cash continuity

protection such that our executives will focus their full time and attention on the requirements of the business rather than the potential implications for their respective positions. We prefer to have certainty regarding the potential severance amounts payable to the named executive officers under certain circumstances, rather than negotiating severance at the time that a named executive officer's employment terminates. We have also determined that accelerated vesting provisions in connection with a termination following a change in control are appropriate because they will encourage our restricted stock and option holders, including our named executive officers, to stay focused in such circumstances, rather than the potential implications for them. See "Potential payments upon termination of change in control" set forth below for a more detailed discussion.

#### ***Tax deductibility of executive compensation***

In general, under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, we cannot deduct, for federal income tax purposes, compensation in excess of \$1,000,000 paid to certain executive officers. This deduction limitation does not apply, however, to compensation that constitutes "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. We have considered the limitations on deductions imposed by Section 162(m) of the Code and it is our present intention, for so long as it is consistent with our overall compensation objective, to structure executive compensation to minimize application of the deduction limitations of Section 162(m) of the Code and to be cost and tax effective. Therefore, the compensation committee intends to preserve corporate tax deductions, while maintaining the flexibility in the future to approve arrangements that it deems to be in our best interests and the best interests of our stockholders, even if such arrangements do not always qualify for full tax deductibility.

#### ***Risk Oversight of Compensation Programs***

The compensation committee believes that our compensation program for executive officers is not structured to be reasonably likely to present a material adverse risk to us based on the following factors:

- Our compensation program for executive officers is designed to provide a balanced mix of cash and equity, annual and longer-term incentives, and performance targets;
- The base salary portion of compensation is designed to provide a steady income regardless of our stock price performance so that executives do not feel pressured to focus primarily on stock price performance to the detriment of other important business metrics;
- Our stock option grants, restricted stock awards and deferred restricted stock award grants generally vest over four years and are only valuable if our stock price increases over time. With our performance based shares, in certain cases, vesting is tied to operating metrics such as revenue or operating income targets, not stock price, so our executives are incented to work together to maximize the company results, not any individual metric to which the other executives are not tied or have no input or undue influence; and
- Maximum payout levels under the VCCP for the variable cash compensation are capped.



## Executive compensation summary

The following table sets forth summary compensation information for the Company's chief executive officer, chief financial officer and the three other most highly compensated executive officers for the fiscal years ended March 31, 2014, 2013 and 2012:

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)(3)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
<b>Kris Canekeratne</b> . . . . Chairman and Chief Executive Officer	2014	425,000	—	2,342,963(6)	—	310,250	—	—	3,078,213
	2013	421,475	—	1,431,000(7)	—	324,000	—	—	2,176,475
	2012	393,193	—	1,657,478(8)	—	176,000	—	—	2,226,671
<b>Ranjan Kalia</b> . . . . . Executive Vice President and Chief Financial Officer	2014	330,000	—	702,874(6)	—	146,000	—	—	1,178,874
	2013	316,154	—	922,522(7)	—	137,700	—	—	1,376,376
	2012	294,000	—	662,987(8)	—	82,500	—	—	1,039,487
<b>Thomas R. Holler</b> . . . . Executive Vice President, and Chief Strategy Officer	2014	310,000	—	702,874(6)	—	146,000	—	—	1,158,874
	2013	309,487	—	429,300(7)	—	141,750	—	—	880,537
	2012	295,193	—	497,226(8)	—	90,750	—	—	883,169
<b>Raj Rajgopal</b> . . . . . President	2014	346,250	—	937,165(6)	—	219,000	—	—	1,502,415
	2013	334,648	—	515,160(7)	—	214,650	—	—	1,064,458
	2012	319,693	—	497,226(8)	—	137,500	—	—	954,419
<b>Roger Keith Modder</b> . . Executive Vice President, and Chief Operating Officer(5)	2014	249,117	—	937,165(6)	—	113,804	5,599(9)	88,881(10)	1,394,566
	2013	240,845	—	429,300(7)	—	125,691	32,176(9)	73,215(10)	901,227
	2012	234,906	—	497,226(8)	—	67,291	14,853(9)	80,582(10)	894,858

- (1) All salary amounts in the table above reflect the earnings of each named executive officer as calculated based on the actual number of business days in each fiscal year.
- (2) In accordance with SEC rules, the "Stock Awards" column reflects the aggregate grant date fair value of restricted stock computed in accordance with FASB ASC Topic 718 and excludes the effect of estimated forfeitures. Awards subject to performance conditions are calculated based on the probable outcome of the performance conditions. For a discussion of the assumptions used for FASB ASC Topic 718 valuations and compensation expense for the respective fiscal years ended March 31, 2012, 2013 and 2014 see note 2 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.
- (3) SEC rules also require us to disclose the grant date fair value of awards subject to performance conditions, assuming maximum performance. The fair values listed in the table above also include restricted stock awards granted to the executive subject to time based vesting. For further details regarding issuances of performance based restricted stock, see "Compensation and other Information Concerning Directors and Officers—Compensation discussion and analysis—Equity Compensation."
- (4) Non-equity variable incentive plan compensation payouts under our VCCP with respect to the applicable fiscal year as approved by our compensation committee and our board. See section "Compensation and Other Information Concerning Directors and Officers—Compensation Discussion and Analysis—Equity Compensation" for more details.
- (5) All cash amounts are paid and recorded in Sri Lankan rupees and translated back into U.S. dollars using the annual average exchange rates of \$ 0.00769, \$ 0.00774, and \$0.00891, per Sri Lankan rupee for the fiscal years ended March 31, 2014, 2013, and 2012 respectively.

- (6) For the fiscal year ended March 31, 2014, the grant date fair values for the performance based deferred restricted stock unit awards granted in August 2013, assuming maximum performance, as well as grant date fair values of time based restricted stock awards, are as follows:

<u>Name</u>	<u>Performance Based Maximum Performance (\$)</u>	<u>Time-based (\$)</u>	<u>Adjusted Total (\$)</u>
Kris Canekaratne . . . . .	1,757,210	1,171,482	2,928,692
Ranjan Kalia . . . . .	527,155	351,437	878,592
Thomas R. Holler . . . . .	527,155	351,437	878,592
Raj Rajgopal . . . . .	702,874	468,582	1,171,456
Roger Keith Modder . . . . .	702,874	468,582	1,171,456

- (7) For the fiscal year ended March 31, 2013, the grant date fair values for the performance based restricted stock awards granted in August 2012, assuming maximum performance, as well as grant date fair values of time based restricted stock awards, are as follows:

<u>Name</u>	<u>Performance Based Maximum Performance (\$)</u>	<u>Time-based (\$)</u>	<u>Adjusted Total (\$)</u>
Kris Canekaratne . . . . .	286,200	1,144,800	1,431,000
Ranjan Kalia . . . . .	71,550	850,972	922,522
Thomas R. Holler . . . . .	71,550	357,750	429,300
Raj Rajgopal . . . . .	85,860	429,300	515,160
Roger Keith Modder . . . . .	71,550	357,750	429,300

- (8) For the fiscal year ended March 31, 2012, the grant date fair values for the performance based restricted stock awards granted in May 2011, assuming maximum performance, as well as grant date fair values of time based restricted stock awards, are as follows:

<u>Name</u>	<u>Performance Based Maximum Performance (\$)</u>	<u>Time-based (\$)</u>	<u>Adjusted Total (\$)</u>
Kris Canekaratne . . . . .	169,993	1,529,993	1,699,986
Ranjan Kalia . . . . .	67,993	611,997	679,990
Thomas R. Holler . . . . .	50,990	458,988	509,978
Raj Rajgopal . . . . .	50,990	458,988	509,978
Roger Keith Modder . . . . .	50,990	458,988	509,978

- (9) Represents the year-over-year change in the value of accumulated pension benefits to be paid under the government-mandated Sri Lanka Defined Benefit Gratuity Plan, and reflects any changes in fiscal year end exchange rates of the Sri Lankan rupee to the U.S. dollar.
- (10) Includes the value of the following perquisites: Company-paid vehicle (allocated cost for one year based on purchase price and 4 year depreciation) of \$26,528, \$26,712, \$30,371 in fiscal 2014, 2013 and 2012 respectively; Company paid health insurance premium (\$10,848, \$10,376 and \$9,325 in fiscal 2014, 2013 and 2012 respectively); golf and athletic club memberships (\$1,130, \$1,103 and \$468 in fiscal 2014, 2013 and 2012 respectively); employee provident fund and employee trust fund contributions (\$37,368, \$36,127 and \$34,351 in fiscal 2014, 2013 and 2012 respectively); Company-owned auto expenses (\$13,007, \$7,086 and \$5,707 in fiscal 2014, 2013 and 2012 respectively).

## Fiscal 2014 grants of plan-based awards

The compensation committee approves all of our equity-based and non-equity-based awards to all of our employees, including our executive officers. The expected payouts under the non-equity incentive plan awards in the table below for Messrs. Canekeratne, Kalia, Holler, Modder and Rajgopal are those under our VCCP. All of these incentive plans are discussed above and amounts awarded are recorded in the fiscal year to which they apply and there are no provisions for future payouts.

### GRANT OF PLAN-BASED AWARDS

Name	Grant Date	Action Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards			Estimated Future Payouts under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option or Stock Awards (\$/Share)	Grant Date Fair Value of Option and Stock Awards (\$)(4)
			Threshold (\$)(1)	Target (\$)(1)	Maximum (\$)(1)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)				
Kris Canekeratne . . .	—	—	255,000	425,000	850,000	—	—	—	—	—	—	
	8/6/2013	5/22/2013	—	—	—	—	—	—	45,761	—	1,171,482	
Ranjan Kalia . . . . .	8/6/2013	5/22/2013	—	—	—	34,320	45,761	68,641	—	—	1,171,482	
	—	—	120,000	200,000	400,000	—	—	—	—	—	—	
Thomas R. Holler . . .	8/6/2013	5/22/2013	—	—	—	—	—	—	13,728	—	351,437	
	8/6/2013	5/22/2013	—	—	—	10,296	13,728	20,592	—	—	351,437	
Thomas R. Holler . . .	—	—	120,000	200,000	400,000	—	—	—	—	—	—	
	8/6/2013	5/22/2013	—	—	—	—	—	—	13,728	—	351,437	
Roger Keith Modder . .	8/6/2013	5/22/2013	—	—	—	10,296	13,728	20,592	—	—	351,437	
	—	—	93,000	155,000	310,000	—	—	—	—	—	—	
Raj Rajgopal . . . . .	8/6/2013	5/22/2013	—	—	—	—	—	—	18,304	—	468,582	
	8/6/2013	5/22/2013	—	—	—	13,728	18,304	27,456	—	—	468,582	
Raj Rajgopal . . . . .	—	—	180,000	300,000	600,000	—	—	—	—	—	—	
	8/6/2013	5/22/2013	—	—	—	—	—	—	18,304	—	468,582	
	8/6/2013	5/22/2013	—	—	—	13,728	18,304	27,456	—	—	468,582	

- (1) Represents amounts that could be paid under our VCCP. See section “Compensation and Other Information Concerning Directors and Officers—Compensation Discussion and Analysis—Variable incentive cash compensation award program” for more details.
- (2) The number of performance based deferred restricted stock awards granted under the Company’s 2007 Stock Option and Incentive Plan (“2007 Plan”) vest at a rate based upon the Company’s achievement of the following Company revenue targets for the fiscal year ended March 31, 2014: 150% at \$420 million, 125% at \$400 million, 100% at \$392 million, 75% at \$384 million, no vesting below \$384 million. If the Company’s revenue was above the minimum revenue of \$384 million for the fiscal year ending March 31, 2014, there would be pro-rated vesting of the shares, starting at 75%. To the extent that the Company achieves at least the minimum revenue target, the shares underlying the deferred stock awards are then subject to time based vesting as follows: 33% vest on September 1, 2014 and the remaining 67% vest on March 1, 2016. See section “Compensation and Other Information Concerning Directors and Officers—Compensation Discussion and Analysis—Equity Compensation” for more details.
- (3) Restricted stock awards, with time-based vesting, vest at a rate of 25% each year on each of June 1, 2014, 2015, 2016 and 2017 respectively.
- (4) The amounts reported in this column reflect the grant date fair value of all awards computed under SFAS ASC Topic 718 and for performance based awards, reflects the probability of achievement of the applicable targets.



## Fiscal 2014 outstanding equity awards at fiscal year-end

The following table sets forth certain information concerning the number of outstanding equity awards held by our named executive officers that are exercisable and unexercisable or vested and not vested at March 31, 2014:

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Unit Other Rights That Have Not Vested (\$)(2)
Kris Canekaratne . . . . .	100,000	—	14.00	8/2/2017	—	—	—	—
	38,175	—	9.82	8/4/2019	—	—	—	—
	—	—	—	—	45,761(4)	1,533,451	45,761	1,533,451
	—	—	—	—	60,000(5)	2,010,600	—	—
	—	—	—	—	39,412(6)	1,320,696	—	—
Thomas R. Holler . . . . .	—	—	—	—	12,500(7)	418,875	—	—
	2,685	—	9.82	8/4/2019	—	—	—	—
	—	—	—	—	13,728(4)	460,025	13,728	460,025
	—	—	—	—	18,750(5)	628,313	—	—
	—	—	—	—	11,823(6)	396,189	—	—
Ranjan Kalia . . . . .	—	—	—	—	5,000(7)	167,550	—	—
	40,000	—	10.02	5/23/2018	—	—	—	—
	33,444	—	9.82	8/4/2019	—	—	—	—
	—	—	—	—	13,728(4)	460,025	13,728	460,025
	—	—	—	—	18,750(5)	628,313	—	—
Roger Keith Modder . . . . .	—	—	—	—	15,764(6)	528,252	—	—
	—	—	—	—	5,000(7)	167,550	—	—
	—	—	—	—	22,058(8)	739,164	—	—
	17,716	—	9.82	8/4/2019	—	—	—	—
	—	—	—	—	18,304(4)	613,367	18,304	613,367
Raj Rajgopal . . . . .	—	—	—	—	18,750(5)	628,313	—	—
	—	—	—	—	11,823(6)	396,189	—	—
	—	—	—	—	5,000(7)	167,550	—	—
	3,194	—	5.32	2/17/2015	—	—	—	—
	13,269	—	2.97	5/6/2015	—	—	—	—
	31,948	—	4.19	8/7/2016	—	—	—	—
	12,241	—	10.02	5/23/2018	—	—	—	—
38,174	—	9.82	8/4/2019	—	—	—	—	
—	—	—	—	18,304(4)	613,367	18,304	613,367	
—	—	—	—	22,500(5)	753,975	—	—	
—	—	—	—	11,823(6)	396,189	—	—	
—	—	—	—	5,000(7)	167,550	—	—	

- (1) The expiration date of each stock option is ten years after the grant date.
- (2) Assumes closing price of \$33.51 on March 31, 2014.
- (3) These performance based deferred restricted stock unit awards were granted on August 6, 2013 under the 2007 Plan. The number of performance based deferred restricted stock unit awards granted under the 2007 Plan conditionally vest at a rate based upon the Company's achievement of the following Company revenue targets for the fiscal year ended March 31, 2014: 150% at \$420 million, 125% at \$400 million, 100% at \$392 million, 75% at \$384 million, no vesting below \$384 million. If the Company's revenue was above the minimum revenue of \$384 million for the fiscal year ending March 31, 2014, there would be pro-rated vesting of the shares, starting at 75%. To the extent that the Company achieves at least the minimum revenue target, the shares underlying the deferred stock awards are then subject to time based vesting as follows: 33% vest on September 1, 2014 and the remaining 67% vest on March 1, 2016. See the table "Grant of Plan Based Awards" listed above under the column "Estimated Future Payouts under Equity Incentive Plan Awards" for more details on these grants. See also the section "Compensation and Other Information Concerning Directors and Officers—Compensation Discussion and Analysis—Equity Compensation" for more details.
- (4) 25% of the restricted shares granted vest annually on each of June 1, 2014, 2015, 2016 and 2017.

- (5) 25% of the restricted shares granted vest annually on each of June 1, 2013, 2014, 2015 and 2016.
- (6) 25% of the restricted shares granted vest annually on each of June 1, 2012, 2013, 2014, and 2015.
- (7) 25% of the shares granted vest annually on each of June 1, 2011, 2012, 2013, and 2014. In addition, if Company revenue of \$214 million was achieved for the fiscal year ended March 31, 2011, then 50% of shares allocated to the June 1, 2014 vesting period vest immediately. If the Company achieved revenue of \$278 million for the fiscal year ending March 31, 2012, then 50% of the shares allocated to the June 1, 2014 vesting period would also vest immediately. Based on Company revenue of \$218 million for the fiscal year ended March 31, 2011, acceleration and vesting occurred for fiscal 2011. However, based on Company revenue of \$277.8 million for the fiscal year ended March 31, 2012, no acceleration occurred for fiscal years 2012 or 2013.
- (8) In connection with Mr. Kalia's promotion to executive vice president in October 2012, the compensation committee approved and our board approved and ratified this grant of restricted stock which was issued on November 6, 2012, with 25% of the shares vesting annually on each December 1, 2013, 2014, 2015 and 2016 respectively.

### **Fiscal 2014 option exercises and stock vested**

The following table sets forth for each named executive officer, certain information with respect to the exercise of stock options and the vesting of restricted stock awards during the fiscal year ended March 31, 2014:

#### **OPTION EXERCISES AND STOCK VESTED**

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)(1)</u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)(2)</u>
Kris Canekaratne . . . . .	—	—	63,647	2,167,180
Ranjan Kalia . . . . .	20,000	480,157	29,917	1,021,027
Thomas R. Holler . . . . .	—	—	20,594	701,226
Roger Keith Modder . . . . .	—	—	21,738	740,179
Raj Rajgopal . . . . .	30,000	820,049	22,988	782,741

- (1) Amounts disclosed in this column were calculated based on the difference between the fair market value of our common stock on the date of exercise and the exercise price of the options in accordance with regulations promulgated by the Exchange Act.
- (2) Amounts disclosed in this column were calculated based on the aggregate dollar amount realized by the named executive officer upon the vesting of the stock computed by multiplying the number of shares of stock vesting by the market price of our common stock on the vesting date in accordance with regulations promulgated under the Exchange Act.

### **Pension benefits**

Our subsidiary, Virtusa (Sri Lanka) Private Limited, contributes to a defined benefit plan covering its respective employees in Sri Lanka as mandated by the Sri Lankan government. Benefits are based on the employee's years of service and compensation level. Except for Mr. Modder, none of our other named executive officers is covered by a pension plan or other similar benefit plan that provides for payments or other benefits at, following, or in connection with retirement.

The following table summarizes the defined benefit plan of our Sri Lanka subsidiary for our fiscal year ended March 31, 2014:

**2014 Pension Benefits**

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service (#)</u>	<u>Present Value of Accumulated Benefits (\$)(1)</u>	<u>Payments During Last Fiscal Year (\$)</u>
Roger Keith Modder . . . . .	Sri Lanka Benefit Gratuity Plan	13	134,540(2)	—

- (1) Under the plan, an employee’s pension (gratuity) benefits vest after five years of credited service, and are payable in a lump sum amount upon retirement or separation of employment from the Company in an amount equal to one-half of an employee’s basic monthly salary times the number of years of credited service. The amount reflected in the table represents the accumulated benefits payable at the end of fiscal 2014.
- (2) Amounts are recorded in Sri Lankan rupees and were translated into U.S. dollars using the fiscal year 2014 year end exchange rate of \$0.00769 per rupee.

**Nonqualified deferred compensation**

None of our named executive officers is covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

**Potential payments upon termination of change in control**

In April 2007, we entered into executive agreements with Messrs. Canekeratne, Holler, Modder, and in July 2009, we entered into executive agreements with Messrs. Rajgopal and Kalia, that provide for certain severance and change in control payments. The following summaries set forth potential payments payable to these executive officers upon termination of employment by us other than for cause or by the executive for good reason, or a change in control of us under the executive agreements and our other compensation programs. Cause is defined under these agreements to include willful misconduct or non-performance of duties, certain violations of our policies, the commission of a felony or misdemeanor involving moral turpitude and the failure to cooperate in certain internal or other investigations. Good reason includes a material reduction in the executive’s annual base salary or targeted annual cash compensation, a substantial diminution of the executive’s responsibility or authority or a more than 50 mile relocation of the executive’s primary business location. The compensation committee may in its discretion revise, amend or add to the benefits if it deems advisable.

*Termination by us other than for cause or termination by executive for good reason, prior to a change in control.* Our executive agreements with Messrs. Canekeratne, Holler, Modder, Rajgopal and Kalia, provide that if we terminate such executive’s employment other than for cause, or if such executive terminates his employment for good reason, the executive is entitled to a lump-sum severance payment (less applicable withholding taxes) equal to:

- 100% of Mr. Canekeratne’s annual base salary and 50% of the annual base salary of Messrs. Holler, Modder, Rajgopal and Kalia; and
- A prorated share of the annual bonus, if any, which the executive officer would have earned in the year in which the termination of employment occurs.

In addition, upon any such termination, Mr. Canekeratne is entitled to continued health benefits for 12 months and each other executive officer is entitled to six months of continued health benefits. The foregoing benefits are subject to the execution of a general release by the executive officer.

*Termination by us for cause or by executive for other than good reason; death or disability.*

Regardless of any change in control, we are not obligated to make any cash payment or provide benefits to these executive officers if their employment is terminated by us for cause or by such executive without good reason other than the payment of unpaid salary and accrued and unused vacation pay. We do not provide any death or disability benefits for any of our executive officers that are not also available to our employees generally.

*Termination by us other than for cause or termination by executive for good reason following a change in control.* Our executive agreements with these executive officers provide that, in the event of a termination of employment other than for cause, or if such executive terminates his employment for good reason, within 24 months following a change in control in the case of Mr. Canekeratne and 12 months following a change in control in the case of Messrs. Holler, Modder, Rajgopal and Kalia, such executive is entitled to a lump-sum severance payment (less applicable withholding taxes) equal to:

- 200% of Mr. Canekeratne's annual base salary and 50% of the annual base salary of Messrs. Holler, Modder, Rajgopal and Kalia; and
- 200% in the case of Mr. Canekeratne, and 100% in the case of Messrs. Holler, Modder, Rajgopal and Kalia of the prorated share of the annual bonus, if any, which such executive officer would have earned in the year in which the termination of employment occurs.

In addition, upon any such termination, Mr. Canekeratne is entitled to continued health benefits for 24 months and each of Messrs. Holler, Modder, Rajgopal and Kalia is entitled to six months of continued health benefits, upon a change of control. All unvested equity awards held by each such executive officer also become fully-vested and immediately exercisable. The foregoing benefits are subject to the execution of a general release by the executive officer.

*Automatic acceleration of vesting upon a change in control.* The terms of our executive agreements with our executive officers as listed above provide that the equity awards granted to these executive officers will have their vesting accelerated by 12 months upon any change in control, regardless of whether there is a subsequent termination of employment.

## Kris Canekeratne

The following table describes the potential payments and benefits upon employment termination or change in control for Kris Canekeratne, our chairman and chief executive officer, as if his employment terminated as of March 31, 2014, the last business day of our last fiscal year.

Executive Benefits and Payments Upon Termination	Voluntary Resignation for Good Reason	Termination by the Company for Other Than Cause	Termination by the Company for Other Than Cause or Voluntary Resignation for Good Reason Following Change in Control	Acceleration Following Change in Control
Base salary . . . . .	\$425,000	\$425,000	\$ 850,000	\$ —
Variable Cash Compensation(1) . . . .	310,250	310,250	620,500	—
Accrued vacation . . . . .	25,881	25,881	25,881	—
Acceleration of stock option vesting .	—	—	—	—
Acceleration of restricted stock award vesting(2) . . . . .	—	—	7,053,453	2,716,823
Continued health benefits . . . . .	8,621	8,621	17,242	—
Total . . . . .	<u>\$769,752</u>	<u>\$769,752</u>	<u>\$8,567,076</u>	<u>\$2,716,823</u>

- (1) The variable cash compensation amounts reflected are based on the actual annual payouts under our VCCP for the fiscal year ended March 31, 2014.
- (2) As noted above, Mr. Canekeratne's equity awards are subject to 12-month acceleration of vesting following a change in control, and become 100% fully-vested and immediately exercisable upon termination of his employment by the Company for other than cause or voluntary resignation for good reason within 24 months following a change in control. Performance based shares underlying the deferred restricted stock unit awards which were tied to the Company's revenue for the fiscal year ended March 31, 2014 were deemed outstanding for purposes of the calculations above as such shares are subject to time based vesting as follows: 33% of the underlying shares vest on September 1, 2014 and 67% of the underlying shares vest on March 1, 2016. The value of stock options, restricted stock and deferred restricted stock unit awards is calculated by reference to the closing sale price of our common stock on the NASDAQ Stock Market on March 31, 2014 of \$33.51.

## Ranjan Kalia

The following table describes the potential payments and benefits upon employment termination or change in control for Ranjan Kalia, our executive vice president and chief financial officer, as if his employment terminated as of March 31, 2014, the last business day of our last fiscal year.

<u>Executive Benefits and Payments Upon Termination</u>	<u>Voluntary Resignation for Good Reason</u>	<u>Termination by the Company for Other Than Cause</u>	<u>Termination by the Company for Other Than Cause or Voluntary Resignation for Good Reason Following Change in Control</u>	<u>Acceleration Following Change in Control</u>
Base salary . . . . .	\$165,000	\$165,000	\$ 165,000	\$ —
Variable Cash Compensation(1) . . . . .	146,000	146,000	146,000	—
Accrued vacation . . . . .	23,903	23,903	23,903	—
Acceleration of stock option vesting . . . . .	—	—	—	—
Acceleration of restricted stock award vesting(2) . . . . .	—	—	3,054,235	1,177,709
Continued health benefits . . . . .	4,961	4,961	4,961	—
Total . . . . .	<u>\$339,864</u>	<u>\$339,864</u>	<u>\$3,394,099</u>	<u>\$1,177,709</u>

- (1) The variable cash compensation amounts reflected are based on the actual annual payouts under our VCCP for the fiscal year ended March 31, 2014.
- (2) As noted above, Mr. Kalia's equity awards are subject to 12-month acceleration of vesting following a change in control, and become 100% fully-vested and immediately exercisable upon termination of his employment by the Company for other than cause or voluntary resignation for good reason within 12 months following a change in control. Performance based shares underlying the deferred restricted stock unit awards which were tied to the Company's revenue for the fiscal year ended March 31, 2014 were deemed outstanding for purposes of the calculations above as such shares are subject to time based vesting as follows: 33% of the underlying shares vest on September 1, 2014 and 67% of the underlying shares vest on March 1, 2016. The value of stock options, restricted stock and deferred restricted stock unit awards is calculated by reference to the closing sale price of our common stock on the NASDAQ Stock Market on March 31, 2014 of \$33.51.

**Thomas R. Holler**

The following table describes the potential payments and benefits upon employment termination or change in control for Thomas R. Holler, our executive vice president and chief strategy officer, as if his employment terminated as of March 31 2014, the last business day of our last fiscal year.

<u>Executive Benefits and Payments Upon Termination</u>	<u>Voluntary Resignation for Good Reason</u>	<u>Termination by the Company for Other Than Cause</u>	<u>Termination by the Company for Other Than Cause or Voluntary Resignation for Good Reason Following Change in Control</u>	<u>Acceleration Following Change in Control</u>
Base salary . . . . .	\$155,000	\$155,000	\$ 155,000	\$ —
Variable Cash Compensation(1) . . . . .	146,000	146,000	146,000	—
Accrued vacation . . . . .	21,263	21,263	21,263	—
Acceleration of stock option vesting . . . . .	—	—	—	—
Acceleration of restricted stock award vesting(2) . . . . .	—	—	2,183,009	865,295
Continued health benefits . . . . .	4,311	4,311	4,311	—
<b>Total . . . . .</b>	<u>\$326,574</u>	<u>\$326,574</u>	<u>\$2,509,583</u>	<u>\$865,295</u>

- (1) The variable cash compensation amounts reflected are based on the actual annual payouts under our VCCP for the fiscal year ended March 31, 2014.
- (2) As noted above, Mr. Holler’s equity awards are subject to 12-month acceleration of vesting following a change in control, and become 100% fully-vested and immediately exercisable upon termination of his employment by the Company for other than cause or voluntary resignation for good reason within 12 months following a change in control. Performance based shares underlying the deferred restricted stock unit awards which were tied to the Company’s revenue for the fiscal year ended March 31, 2014 were deemed outstanding for purposes of the calculations above as such shares are subject to time based vesting as follows: 33% of the underlying shares vest on September 1, 2014 and 67% of the underlying shares vest on March 1, 2016. The value of stock options, restricted stock and deferred restricted stock unit awards is calculated by reference to the closing sale price of our common stock on the NASDAQ Stock Market on March 31, 2014 of \$33.51.



## Raj Rajgopal

The following table describes the potential payments and benefits upon employment termination or change in control for Raj Rajgopal, our president, as if his employment terminated as of March 31, 2014, the last business day of our last fiscal year.

Executive Benefits and Payments Upon Termination	Voluntary Resignation for Good Reason	Termination by the Company for Other Than Cause	Termination by the Company for Other Than Cause or Voluntary Resignation for Good Reason Following Change in Control	Acceleration Following Change in Control
Base salary . . . . .	\$175,000	\$175,000	\$ 175,000	\$ —
Variable Cash Compensation(1) . . . .	219,000	219,000	219,000	—
Accrued vacation . . . . .	26,922	26,922	26,922	—
Acceleration of stock option vesting .	—	—	—	—
Acceleration of restricted stock award vesting(2) . . . . .	—	—	2,638,980	1,003,926
Continued health benefits . . . . .	4,311	4,311	4,311	—
Total . . . . .	<u>\$425,233</u>	<u>\$425,233</u>	<u>\$3,064,213</u>	<u>\$1,003,926</u>

- (1) The variable cash compensation amounts reflected are based on the actual annual payouts under our VCCP for the fiscal year ended March 31, 2014.
- (2) As noted above, Mr. Rajgopal's equity awards are subject to 12-month acceleration of vesting following a change in control and become 100% fully-vested and immediately exercisable upon termination of his employment by the Company for other than cause or voluntary resignation for good reason within 12 months following a change in control. Performance based shares underlying the deferred restricted stock unit awards which were tied to the Company's revenue for the fiscal year ended March 31, 2014 were deemed outstanding for purposes of the calculations above as such shares are subject to time based vesting as follows: 33% of the underlying shares vest on September 1, 2014 and 67% of the underlying shares vest on March 1, 2016. The value of stock options, restricted stock and deferred restricted stock unit awards is calculated by reference to the closing sale price of our common stock on the NASDAQ Stock Market on March 31, 2014 of \$33.51.

## Roger Keith Modder

The following table describes the potential payments and benefits upon employment termination or change in control for Roger Keith Modder, our executive vice president and chief operating officer as if his employment terminated as of March 31, 2014, the last business day of our last fiscal year. All cash amounts in U.S. dollars in the table below would be paid in Sri Lankan rupees.

Executive Benefits and Payments Upon Termination	Voluntary Resignation for Good Reason	Termination by the Company for Other Than Cause	Termination by the Company for Other Than Cause or Voluntary Resignation for Good Reason Following Change in Control	Acceleration Following Change in Control
Base salary . . . . .	\$127,500	\$127,500	\$ 127,500	\$ —
Variable Cash Compensation(1) . . . . .	113,150	113,150	113,150	—
Accrued vacation . . . . .	18,934	18,934	18,934	—
Acceleration of stock option vesting . . . . .	—	—	—	—
Acceleration of restricted stock award vesting(2) . . . . .	—	—	2,513,317	962,039
Continued health benefits . . . . .	5,424	5,424	5,424	—
<b>Total . . . . .</b>	<b><u>\$265,008</u></b>	<b><u>\$265,008</u></b>	<b><u>\$2,778,325</u></b>	<b><u>\$962,039</u></b>

- (1) The variable cash compensation amounts reflected are based on the actual annual payouts under our VCCP for the fiscal year ended March 31, 2014.
- (2) As noted above, Mr. Modder's equity awards are subject to 12-month acceleration of vesting following a change in control, and become 100% fully-vested and immediately exercisable upon termination of his employment by the Company for other than cause or voluntary resignation for good reason within 12 months following a change in control. Performance based shares underlying the deferred restricted stock unit awards which were tied to the Company's revenue for the fiscal year ended March 31, 2014 were deemed outstanding for purposes of the calculations above as such shares are subject to time based vesting as follows: 33% of the underlying shares vest on September 1, 2014 and 67% of the underlying shares vest on March 1, 2016. The value of stock options, restricted stock and deferred restricted stock unit awards is calculated by reference to the closing sale price of our common stock on the NASDAQ Stock Market on March 31, 2014 of \$33.51.

## Director compensation

Upon recommendation of the compensation committee, our board of directors approved an amended and restated non-employee director compensation policy that provides for annual compensation of \$80,000, of which we will make an annual stock option grant to each non-employee director with an economic value of \$48,000 (based on a Black-Scholes valuation on the date of grant) and an annual retainer fee of \$32,000 payable in cash. In addition, the chairmen of our audit, compensation and nominating and corporate governance committees will receive an annual fee of \$18,000, \$11,000 and \$7,000, respectively. All cash payments will be made on a quarterly basis.

In addition, we will make, under our 2007 Plan, a one-time, initial equity award grant of \$90,000 (in the form of stock options, restricted stock awards or other equity award as recommended by our compensation committee and approved by our board) to any new non-employee director who joins the board of directors.

Each stock option award granted to a non-employee director under the non-employee director compensation policy will be made at the board of directors' meeting immediately following our annual meeting, and will have a four-year vesting period, with 25% vesting after one year and with the remaining shares vesting in equal installments each three-month period thereafter. The vesting of all of the options granted to our non-employee directors will also accelerate by 12 months in the event of a change in control.

We reimburse all non-employee directors for their reasonable out-of-pocket expenses incurred in attending meetings of our board of directors or any committees thereof.

On May 21, 2014, our board approved, following approval by our compensation committee and recommendation for full board approval, an amendment to our existing compensation to our independent directors, effective July 1, 2014, for the principal purpose of making our director compensation more competitive to retain and attract the most talented board members. We had not revised the overall compensation for our directors since 2007. Effective July 1, 2014, the amended and restated non-employee director compensation policy provides for annual compensation of \$150,000, of which we will make an annual restricted stock award to each non-employee director in the amount of \$100,000 (with the number of shares determined by dividing \$100,000 by the fair market value of the closing price of our common stock on the date of grant). These shares will vest in three equal installments annually at a rate of 33.33%, with the first installment vesting on the September 1 following the annual meeting of stockholders, with vesting each one year anniversary thereafter. The annual restricted stock award granted to a non-employee director under the non-employee director compensation policy will be made at the board of directors' meeting immediately following our annual meeting of stockholders.

Effective July 1, 2014, we will also pay an annual retainer fee to each non-employee director of \$50,000, payable in cash. In addition, the chairmen of our audit, compensation and nominating and corporate governance committees will receive an annual fee of \$22,000, \$15,000 and \$10,000, respectively. We will also pay our lead director an annual fee of \$15,000. All cash payments will be made on a quarterly basis.

In addition, we will make, under our 2007 Plan, a one-time, initial restricted stock award of \$50,000 (with the number of shares determined by dividing \$50,000 by the fair market value of the closing price of our common shares on the date of grant) to any new non-employee director who joins the board of directors. These shares will vest in three equal installments annually, with the first vesting date on the anniversary of the first day of the third month of the quarter following the director's join date.

The vesting of all of the equity awards granted to our non-employee directors will also accelerate by 12 months in the event of a change in control.

The following table sets forth a summary of the compensation earned by or paid to our non-employee directors for our fiscal year ended March 31, 2014:

**2014 DIRECTOR COMPENSATION**

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)(1)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards \$(2)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Izhar Armony . . . . .	32,000	—	48,000	—	—	—	80,000
Robert E. Davoli . . . . .	32,000	—	48,000	—	—	—	80,000
Ronald T. Maheu . . . . .	50,000	—	48,000	—	—	—	98,000
Rowland T. Moriarty . . . . .	39,000	—	48,000	—	—	—	87,000
Martin Trust . . . . .	43,000	—	48,000	—	—	—	91,000
William K. O'Brien . . . . .	32,000	—	48,000	—	—	—	80,000
Al-Noor Ramji . . . . .	32,000	—	48,000	—	—	—	80,000

- (1) Represents the cash fees earned during fiscal year 2014. We pay these fees promptly after the quarter in which they are earned.
- (2) The option awards reflect the grant date fair value of a stock option award granted on November 20, 2013 to purchase 2,665 shares of common stock at an exercise price of \$34.27 which vests 25% after one (1) year from the date of grant, with the remainder vesting at a rate of 6.25% every three months thereafter.

The non-employee members of our board of directors who held such positions as of March 31, 2014 held the following aggregate number of unexercised options as of such date:

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options</u>
Izhar Armony . . . . .	21,267
Robert E. Davoli . . . . .	13,925
Ronald T. Maheu . . . . .	68,049
Rowland T. Moriarty . . . . .	58,924
Martin Trust . . . . .	129,257
William K. O'Brien . . . . .	73,563
Al-Noor Ramji . . . . .	22,921

The following table presents the fair value of each grant of stock options during the fiscal year ended March 31, 2014 to the non-employee members of our board of directors computed in accordance with FASB ASC Topic 718:

<u>Name</u>	<u>Grant Date</u>	<u>Number of Securities Underlying Unexercised Options</u>	<u>Exercise Price of Options Awarded (\$)</u>	<u>Grant Date Fair Value of Options (\$)</u>
Izhar Armony . . . . .	11/20/2013	2,665	34.27	48,000
Robert E. Davoli . . . . .	11/20/2013	2,665	34.27	48,000
Ronald T. Maheu . . . . .	11/20/2013	2,665	34.27	48,000
Rowland T. Moriarty . . . . .	11/20/2013	2,665	34.27	48,000
Martin Trust . . . . .	11/20/2013	2,665	34.27	48,000
William K. O'Brien . . . . .	11/20/2013	2,665	34.27	48,000
Al-Noor Ramji . . . . .	11/20/2013	2,665	34.27	48,000

**Transactions with related persons**

Other than compensation agreements, which are described above, since April 1, 2013, there has not been and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

Our board of directors has adopted a written related party transaction approval policy, which sets forth our policies and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the Securities and Exchange Commission. Our policy with regard to related party transactions is that all related party transactions are to be reviewed by our general counsel, who will determine whether the contemplated transaction or arrangement requires the approval of the board of directors, the audit committee, both or neither.

**PROPOSAL 2  
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTANTS**

The audit committee of the board of directors has retained the firm of KPMG LLP, independent registered public accountants, to serve as independent registered public accountants for our 2015 fiscal year. KPMG LLP has served as our independent registered public accounting firm since 2004. The audit committee reviewed and discussed its selection of, and the performance of, KPMG LLP for our 2015 fiscal year. As a matter of good corporate governance, the audit committee has determined to submit its selection to stockholders for ratification. If the selection of independent registered public accountants is ratified, the audit committee at its discretion may select a different independent registered public accounting firm at any time during the fiscal year if it determines that such a change would be in the best interests of us and our stockholders.

The audit committee of the board of directors has implemented procedures under our audit committee pre-approval policy for audit and non-audit services, or the Pre-Approval Policy, to ensure that all audit and permitted non-audit services to be provided to us have been pre-approved by the audit committee. Specifically, the audit committee pre-approves the use of KPMG LLP for specific audit and non-audit services, within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the audit committee before it may be provided by KPMG LLP. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the audit committee. For additional

information concerning the audit committee and its activities with KPMG LLP, see “The Board of Directors and Its Committees” and “Report of the Audit Committee of the Board of Directors.”

Representatives of KPMG LLP attended eight (8) of nine (9) meetings of the audit committee in our fiscal year ended March 31, 2014. We expect that a representative of KPMG LLP will attend the annual meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from stockholders.

**Fees billed by KPMG LLP**

The following table shows the aggregate fees for professional services rendered by KPMG LLP to us during the fiscal years ended March 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Audit Fees . . . . .	\$1,348,500	\$1,237,650
Audit-Related Fees . . . . .	188,665	200,765
Tax Fees . . . . .	30,000	26,500
All Other Fees . . . . .	68,365	165,727
Total . . . . .	<u>\$1,635,530</u>	<u>\$1,630,642</u>

*Audit fees*

Audit fees for both years consist of fees for professional services associated with the audit of our annual consolidated financial statements, the review of the consolidated interim financial statements and the audit of our internal control over financial reporting. These fees also include fees for services that are normally provided in connection with statutory audit and regulatory filings.

*Audit-related fees*

Fees for audit-related services consist of fees for statutory audit certification services, xBRL tagging services, due diligence services provided in connection with acquisitions, accounting consultation and other services that were reasonably related to the performance of audits or reviews of our financial statements and are not reported above under “Audit fees.”

*Tax fees*

Tax fees consist of fees for foreign tax planning consulting services and tax due diligence services provided in connection with acquisitions. The audit committee has determined that the provision of these services to us by KPMG is compatible with maintaining their independence.

*All other fees*

All other fees relate to permissible non-audit services, primarily including background check services of our IT professionals and software license fees for accounting research on-line.

All of the foregoing fees were pre-approved by the audit committee.

For Proposal 2, the ratification of the appointment of KPMG LLP as the Company’s independent registered public accountants for the current fiscal year, an affirmative vote of a majority of the shares present, in person or represented by proxy, and voting on each such matter is required for approval.

**Recommendation of the board**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU  
VOTE “FOR” THE RATIFICATION OF KPMG LLP  
AS VIRTUSA CORPORATION’S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS  
FOR FISCAL YEAR ENDING MARCH 31, 2015**

**PROPOSAL 3  
ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

The following proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to vote to approve or not approve, on an advisory basis, the compensation of our named executive officers. This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices, as discussed in this proxy statement. Accordingly, we are asking our stockholders to vote “FOR” the following resolution at our annual meeting of stockholders:

“RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in this proxy statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.”

This vote is advisory, and therefore not binding on the Company, the compensation committee or our board of directors. However, our board of directors and our compensation committee value the opinions of our stockholders and intend to take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

**Recommendation of the Board**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU  
VOTE “FOR” THE APPROVAL OF, ON AN ADVISORY BASIS,  
THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS  
AS DISCLOSED IN THIS PROXY STATEMENT.**

**OTHER MATTERS**

The board of directors knows of no other matters to be brought before the annual meeting. If any other matters are properly brought before the annual meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

**STOCKHOLDER PROPOSALS**

Proposals of stockholders intended for inclusion in the proxy statement to be furnished to all stockholders entitled to vote at our 2015 annual meeting of stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the Securities and Exchange Commission, must be received at the Company’s principal executive offices not later than March 26, 2015. Stockholders who wish to make a proposal at the 2015 annual meeting—other than one that will be included in the Company’s proxy statement—must notify us between May 12, 2015 and June 11, 2015. If a stockholder who wishes to present a proposal fails to notify us by June 11, 2015 and such proposal is brought before the 2015 annual meeting, then under the Securities and Exchange Commission’s proxy rules, the proxies solicited by management with respect to the 2015 annual meeting will confer discretionary voting authority with respect to the stockholder’s proposal on the persons selected by management to vote the proxies. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the Securities and Exchange Commission’s proxy rules. In order to



curtail controversy as to the date on which we received a proposal, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581, Attn: Secretary.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are required by regulations of the Securities and Exchange Commission to furnish us with copies of all such filings. Based solely on our review of copies of such filings we believe that all such persons complied on a timely basis with all Section 16(a) filing requirements during the fiscal year ended March 31, 2014.

#### **EXPENSES AND SOLICITATION**

The cost of solicitation of proxies will be borne by us and, in addition to soliciting stockholders by mail through its regular employees, we may request banks, brokers and other custodians, nominees and fiduciaries to solicit their customers who have our stock registered in the names of a nominee and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some stockholders in person or by mail, telephone, e-mail or telegraph following the original solicitation. We may also retain an independent proxy solicitation firm to assist in the solicitation of proxies.

#### **VIEWING OF PROXY MATERIALS VIA THE INTERNET**

Federal Law permits us to distribute our annual report and this proxy statement to our stockholders in a fast and efficient manner via the Internet. This reduces the amount of paper delivered to a stockholder's address and eliminates the cost of sending these documents by mail. Stockholders may elect to view all future annual reports and proxy statements on the Internet instead of receiving them by mail. If you would like to receive future stockholder communications over the Internet exclusively, and no longer receive any material by mail, please visit [www.envisionreports.com/vrtu](http://www.envisionreports.com/vrtu), for registered holders or visit [www.edocumentview.com/vrtu](http://www.edocumentview.com/vrtu) for beneficial holders, and follow the instructions in the secured website, enter your account number (shown on your proxy card) and tax identification number to log in, and then select receive company mailings via e-mail and provide your e-mail address. Your election to view proxy materials online is perpetual unless you revoke it later.

#### **HOUSEHOLDING OF PROXY MATERIALS**

Our 2014 Annual Report, including audited financial statements for the fiscal year ended March 31, 2014 is being mailed to you along with this proxy statement. In order to reduce printing and postage costs, Broadridge Financial Solutions has undertaken an effort to deliver only one Annual Report and one proxy statement to multiple shareholders sharing an address. This delivery method, called "householding," is not being used, however, if Broadridge has received contrary instructions from one or more of the stockholders sharing an address. If your household has received only one Annual Report and one proxy statement, we will deliver promptly a separate copy of the Annual Report and the proxy statement to any shareholder who sends a written request to Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581, Attn: Secretary, (508) 389-7300. If your household is receiving multiple copies of our Annual Report or proxy statement and you wish to request delivery of a single copy, you may send a written request to Virtusa Corporation, 2000 West Park Drive, Westborough, Massachusetts 01581, Attn: Secretary.