Triodos Investment Management

COGNIZANT TECHNOLOGY SOLUTIONS CORP

MEETING DATE	Tue, 06 Jun 2017 9:30 am	TYPE	AGM	ISSUE DATE	Mon, 22 May 2017
MEETING LOCATION	Teaneck Marriott at Glenpointe, 100 Frank W. Burr Blvd., Teaneck, NJ 07666				
CURRENT INDICES	S&P500				
SECTOR	Computer programming services				

	PROPOSALS	ADVICE
1a	**Re-elect Zein Abdalla** Independent Non-Executive Director.	**For**
1b	**Elect Betsy S. Atkins** Independent Non-Executive Director.	**For**
1c	**Re-elect Maureen Breakiron-Evans** Independent Non-Executive Director. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1d	**Re-elect Jonathan Chadwick** Independent Non-Executive Director.	**For**
1e	**Elect John M. Dineen** Independent Non-Executive Director. He is newly appointed to the Board and his appointment does not improve the gender balance on the Board which Triodos does not support.	**Oppose**
1f	**Re-elect Francisco D'Souza** Chief Executive Officer.	**For**
1g	**Re-elect John N. Fox, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1h	**Re-elect John E. Klein** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1i	**Re-elect Leo S. Mackay, Jr.** Independent Non-Executive Director.	**For**
1j	**Re-elect Michael Patsalos-Fox** Independent Non-Executive Director. He is chair of the Nomination Committee and less than 20% of the Board are women which Triodos does not support.	**Oppose**
1k	**Re-elect Robert E. Weissman** Non-Executive Director. Not considered independent as he was the Company's Chairman and CEO from 1996-1997 (IMS Health, then the company's majority owner, spun off in 1997). Also, he has been on the Board for over nine years. There is sufficient independent representation on the Board.	**For**

2 Advisory Vote on Executive Compensation **Abstain**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

PSUs are based on revenue and non-GAAP earnings per share (EPS). There is no disclosure of the targets for the PSUs. Also, the targets were set to non-GAAP standards, which allows the Company discretion in adjusting the final level of achievement. Awarded pay for the CEO was aligned with companies of a similar market capitalisation. However, rewarded executive compensation was above peer group averages. There are important concerns over certain features of the equity awards. RSUs vest in quarterly instalments over a 3-year period from the date of grant based on continued employment. The use of time-vesting equity is not considered acceptable in linking pay with performance. Also, the Company uses revenue as a performance metric for both the long and short term incentive, allowing executives to be rewarded twice for the same performance.

The compensation rating is: CCB. Based on this rating, Triodos abstain this resolution.

3 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

4 Approve the Company's 2017 Incentive Award Plan **Oppose**

The Company has put forward a resolution requesting shareholders approve the Cognizant Technology Solutions Corporation 2017 Incentive Award Plan (Plan), which is intended to replace the Cognizant Technology Solutions Corporation Amended and Restated 2009 Incentive Compensation Plan (2009 Plan). If the Plan is approved, the maximum aggregate number of shares that may be issued under the Plan will be equal to the sum of the approximately 7.00m shares remaining available for awards under the 2009 Plan, plus 46.00m new shares. The Plan permits the Company to grant stock options and stock appreciation rights, restricted stock, performance stock units and other stock or cash-based awards. All officers, employees, consultants and directors of the Company and its subsidiaries will be eligible to participate in the Plan. The Plan will be administered by the Compensation Committee,which has the power to make any determination or take any action that it deems necessary to administer the Plan, and to interpret the Plan and all award agreements.

As performance conditions may be attached to awards at the Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging.

Triodos opposes this resolution.

5 Appoint the Auditors **Oppose**

PwC proposed. Non-audit fees represented 14.55% of audit fees during the year under review and 22.04% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. However, the current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

6	**Shareholder Resolution: Eliminate the Supermajority Voting Provisions of the Company's Certificate of Incorporation and By-laws** **Proposed by:** John Chevedden. The Proponent requests that the Board take each step necessary so that each voting requirement in the Company's charter and bylaws that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. **Proponent's Supporting Argument:** The Proponent argues that supermajority voting requirements have been found to be one of sox entrenching mechanisms that are negatively related to company performance according to "What Matters in Corporate Governance" by Lucien Bebchuk, Alma Cohen and Allen Ferrell of the Harvard Law School. Also, the Proponent argues that currently a 1%-minority can frustrate the will of the Company's 66%-shareholder majority. This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy's. **Board's Supporting Argument:** The Board recommends a vote FOR the proposal. No other comments have been provided.	**For**
7	**Shareholder Resolution: Permit Stockholder Action by Written Consent** **Proposed by:** James McRitchie and Myra K. Young. The Proponents request that the Board undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorise the action at a meeting at which all shareholders entitled to vote thereon were present and voting. **Proponent's Supporting Argument:** The Proponents argues that a shareholder right to act by written consent and to call a special meeting are two complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. Also, the Proponents argues that a shareholder right to act by written consent is one method to equalise the Company's limited provisions for shareholders to call a special meeting. **Board's Opposing Argument:** The Board recommends shareholders oppose and argues that written consent can result in an unfair, secret and unsound process and is unnecessary given the ability of stockholders to call special meetings. The Board believes that action by written consent, where there is no open meeting, disclosure and debate, is an unfair, secretive and unsound process. Also, the Board argues that the Company's existing corporate governance practices and policies already ensure stockholder democracy and Board accountability.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; an average balance for rewards; and a market best practice approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on revenue, non-GAAP income from operations and days sales outstanding (DSO). The Company granted long-term incentives in the form of performance stock units (PSUs) and restricted stock units (RSUs). PSUs are based on revenue and non-GAAP earnings per share (EPS). There is no disclosure of the targets for the PSUs. Also, the targets were set to non-GAAP standards, which allows the Company discretion in adjusting the final level of achievement.

Balance: C- Awarded pay for the CEO was aligned with companies of a similar market capitalisation. However, rewarded executive compensation was above peer group averages. There are important concerns over certain features of the equity awards. RSUs vest in quarterly instalments over a 3-year period from the date of grant based on continued employment. The use of time-vesting equity is not considered acceptable in linking pay with performance. Also, the Company uses revenue as a performance metric for both the long and short term incentive, allowing executives to be rewarded twice for the same performance.

Contract: B- There is a clawback policy in place, which is considered best practice and "double trigger" provisions in a change in control.

For Private Circulation only

Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority