Triodos Investment Management

COGNIZANT TECHNOLOGY SOLUTIONS CORP

MEETING DATE	Tue, 04 Jun 2019 9:30 am	TYPE	AGM	ISSUE DATE	Tue, 28 May 2019
MEETING LOCATION	www.virtual shareholdermeeting.com/ CTSH2019				
CURRENT INDICES	S&P500				
SECTOR	Computer programming services				

	PROPOSALS	ADVICE
1a	**Elect Zein Abdalla** 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**
1b	**Elect Maureen Breakiron-Evans** Non-Executive Director. Not considered independent owing to a tenure of over nine years. She is Chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1c	**Elect Jonathan Chadwick** Independent Non-Executive Director.	**For**
1d	**Elect John M. Dineen** Independent Non-Executive Director.	**For**
1e	**Elect Francisco D'Souza** Chief Executive.	**For**
1f	**Elect John N. Fox, Jr.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is Chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1g	**Elect Brian Humphries** Independent Non-Executive Director.	**For**
1h	**Elect John E. Klein** Non-Executive Chair. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	**For**
1i	**Elect Leo S. Mackay, Jr** Independent Non-Executive Director.	**For**
1j	**Elect Joseph M. Velli** Independent Non-Executive Director.	**For**
2	**Advisory Vote on Executive Compensation** 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. Rewarded executive compensation was above peer group averages. There are important concerns over certain features of the equity awards. RSUs vest in quarterly installments 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. The Company, also uses revenue as a performance metric for both the long and short term incentive, allowing executives to be rewarded twice for the same performance. There is a clawback policy in place, and "double trigger" provisions in a change in control scenario. The compensation rating is: BDC. Triodos opposes this resolution.	**Oppose**

3 Appoint the Auditors **Oppose**

PwC proposed. Non-audit fees represented 41.17% of audit fees during the year under review and 26.03% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

4 Shareholder Resolution: Political Disclosure **For**

Proponent's Supporting Argument: Shareholders of Cognizant Technology Solutions Corporation request that the Company provide a report, updated semiannually, disclosing the Company's: Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum. Monetary and non-monetary contributions and expenditures (direct and indirect) use. Disclosure is in the best interest of the company and its shareholders. Relying on publicly available data does not provide a complete picture of the Company's electoral spending. This would bring the Company in line with a growing number of leading companies, including Symantec Corp., MasterCard Inc., and Visa Inc., which present this information on their websites.

Board's Opposing Argument: Political contributions of all types are subject to extensive governmental regulation and public disclosure requirements, and Cognizant is fully committed to complying with all applicable campaign finance laws. Already in place are compliance procedures designed to ensure that the Company's political contributions are made in accordance with applicable law. Cognizant is subject to extensive regulation at the federal and state levels and is involved in a number of legislative initiatives across a broad spectrum of policy areas, the outcome of which can have an immediate and significant effect on the business and operations. The board believes this proposal is duplicative, unnecessary and not in the best interests of shareholders as a comprehensive system of reporting and accountability for political contributions already exists. If adopted, the proposal would cause us to incur undue cost and administrative burden, as well as competitive harm, without commensurate benefit to shareholders.

PIRC's Analysis

The transparency and completeness of the Company's reporting on political spending could be improved. The Company scores 11.4 out of 100 on the CPA-Zicklin Index of corporate political accountability, making it among the very worst performers. The Company's response makes clear that its compliance with political spending disclosure regulations complies with the basic requirements and is both disparate, shareholders must have recourse to publicly available websites and must then consolidate this information, and incomplete. Moreover, it is to the benefit of the Company and its shareholders to be open about political spending and so avoid any suspicion and any damage that may cause to the Company's reputation, that the Company may be using shareholders' funds in an inappropriate way to gain undue influence. While the Company discloses its policy regarding political contributions, it does not fully disclose those contributions. The request for a report is considered reasonable and a vote for the resolution is recommended.

5 Shareholder Resolution: Introduce an Independent Chair Rule **For**

Proponent's Supporting Argument: Shareholders request the Board of Directors to adopt as a policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The proponents indicate that the Board would have the discretion to phase in this policy for the next Chief Executive Officer transition, implemented so it does not violate any existing agreement. If the Board determines that a Chair, who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. This proposal requests that all the necessary steps be taken to accomplish the above. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix. These 5 majority votes would have been still higher if all shareholders had access to independent proxy voting advice.

Board's Opposing Argument: The rigid approach to board leadership advocated by the proponent is not the practice of the majority of companies in the S&P 500. The board believes that rather than taking a "one-size-fits-all" approach to board leadership, the board's fiduciary duties are best fulfilled by retaining flexibility to determine the leadership structure that serves the best interests of Cognizant and shareholders, taking into account Cognizant's circumstances at any given time. Under the company's corporate governance guidelines, if the chairman of the board is not an independent director or the same person holds the CEO and chairman roles, the board will appoint an independent director to serve as lead director. Additionally, as required by the company's corporate governance guidelines, a majority of the board and each member of the Audit Committee, the Compensation Committee and the Governance Committee is "independent" under Nasdaq and SEC rules, which ensures that oversight of critical matters-such as the integrity of Cognizant's financial statements, the compensation of executive officers, the selection and evaluation of directors, and the development of corporate governance principles-is entrusted to independent directors. The board believes that its existing policies empower the independent directors to act independently of management and serve our shareholders.

PIRC's Analysis

The separation of the roles of Chair and CEO by adopting a policy of appointing an independent Chair is best practice in corporate governance. Combining the two roles in a single incumbent represents a concentration of power that is potentially detrimental to: the structure and dynamics of the board; effective debate; and the board's ability to oversee management. An independent Chair can also facilitate clearer lines of accountability with respect to corporate decisions. It is also considered that all board meetings (not just those of independent directors) should be led by an independent director. The appointment of an independent Chair also provides a clear division of responsibilities running the board and running the company's business. Given the Company's stated position that it has had an independent chairman for the past 15 years and appears to be committed to continuing this board leadership structure since it has just appointed another one, it's opposition to this resolution, which seeks to prevent the company from returning to combining the roles and away from governance best practice, is difficult to understand. Support for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

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

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