Triodos Investment Management

COGNIZANT TECHNOLOGY SOLUTIONS CORP

MEETING DATE	Tue, 01 Jun 2021 9:30 am	TYPE	AGM	ISSUE DATE	Tue, 01 Jun 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/CTSH2021				
CURRENT INDICES	S&P500				
SECTOR	Computer programming services				
FYE	31 Dec 2020				

	PROPOSALS	ADVICE
1a	**Elect Zein Abdalla - Non-Executive Director** Independent Non-Executive Director.	**For**
1b	**Elect Vinita Bali - Non-Executive Director** Independent Non-Executive Director.	**For**
1c	**Elect Maureen Breakiron-Evans - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	**For**
1d	**Elect Archana Deskus - Non-Executive Director** Independent Non-Executive Director.	**For**
1e	**Elect John M. Dineen - Non-Executive Director** Independent Non-Executive Director.	**For**
1f	**Elect Brian Humphries - Chief Executive** Chief Executive.	**For**
1g	**Elect Leo S. Mackay, Jr. - Non-Executive Director** Independent Non-Executive Director.	**For**
1h	**Elect Michael Patsalos-Fox - Chair (Non Executive)** Non-Executive Chair of the Board. Not considered independent owing to a tenure of over nine years. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence from the company's management team when exercising his or her oversight of the functioning of the Board. Triodos opposes this resolution.	**Oppose**
1i	**Elect Joseph M. Velli - Non-Executive Director** Independent Non-Executive Director.	**For**
1j	**Elect Sandra S. Wijnberg - Non-Executive Director** Independent Non-Executive Director.	**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.

The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

The compensation rating is: ACA

Triodos abstains on this resolution.

3 **Ratify PricewaterhouseCoopers LLP as Auditors** **Oppose**

PwC proposed. Non-audit fees represented 11.73% of audit fees during the year under review and 27.84% 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: Written Consent** **Oppose**

Analysis: Although Written Consent in principle increases shareholder rights, it does not encourage and facilitate broader and responsible participation of shareholders in decision-making, as there is no meeting open to all shareholders and the company to discuss the topic. The practice disadvantages minor or retail shareholders. Furthermore, Acting by Written Consent may be used to force hostile take-overs, which is not always appropriate in the view of Triodos IM. Instead, Triodos IM prefers a Special General Meeting to discuss topics in-between AGMs.

Therefore Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: A - The company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The original grant of performance awards for 2020 was based on the achievement of set levels of specific performance metrics that were weighted at: 60% Constant Currency Revenue Growth and 40% Adjusted Income from Operations. However, due to the COVID-19 the Compensation committee made slight adjustments. The same performance metrics and weightings were used but the year was split into Q1 Performance (25% weighting) and Q2-Q4 Performance (75% weighting) and the targets for the performance metrics were adjusted slightly to fit into the new breakdown of the year. The performance-based long term incentive consisted of Restricted Stock Units (RSUs) and Performance Stock Units (PSUs). The PSUs were subject to the following performance metrics and weightings: 50% Constant Currency Revenue Growth, 25% Adjusted Diluted Earnings per Share and 25% Total Shareholder Return (TSR). Each metric being measured over 3 year performance period. The RSUs vest quarterly over a three-year period, rewarding continued service and long-term performance of the company's common stock.

Balance: C - The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company does not consider non-financial metrics in its assessment of performance. The annual

incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.
Contract: A - Cash severance is limited to three times base salary; which is welcomed. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

Proposal 4 - Shareholder Resolution: Written Consent

Proponent's argument: Shareholders request that the board of directors take the necessary steps to permit written consent by the shareholders entitled to cast the minimum number of votes that would be necessary to authorize an action at a meeting at which all shareholders entitled to vote thereon were present and voting. This includes shareholder ability to initiate any appropriate topic for written consent. "A shareholder right to act by written consent still affords Cognizant Technology Solutions management strong deference for any lingering status quo management mentality during the current rapidly changing business environment. Any action taken by written consent would still need 58% supermajority approval from the shares that normally cast ballots at the CTSH annual meeting to equal a majority from the CTSH shares outstanding. And Mr. Zein Abdalla, Chair of the CTSH Governance Committee, seemed to be totally unaware as late as 2020 that written consent can be structured so that all shareholders get notice. The right for shareholders to act by written consent is gaining acceptance as a more important right than the right to call a special meeting. The directors at Intel apparently thought they could divert shareholder attention away from written consent by making it less difficult for shareholders to call a special meeting. However Intel shareholders responded with greater support for written consent in 2019 compared to 2018. The year 2020 marked the near extinction of in-person shareholder meetings. The new style of tightly controlled online shareholder meetings makes the shareholder right to act by written consent all the more important because almost everything is optional with online shareholder meetings. For instance management reporting on the state of the company is optional. Also management answers to shareholder questions are optional even if management misleadingly asks for questions."
Company's response: The board recommends a vote against the proposal. "The company's current practice with respect to shareholder action by written consent is consistent with market practice. An overwhelming majority of S&P 500 companies, 69%, either do not permit shareholders to act by written consent or require that any shareholder action by written consent be unanimous (which is effectively the same as not permitting action by written consent for a large public company). As such, most other large public companies in fact do not permit the kind of shareholder action by written consent requested by the proponent and the board believes that the company's current practice is consistent with market practice. The company's existing corporate governance practices already ensure shareholder democracy and board accountability. Implementation of this proposal is unnecessary given the company's other governance practices, including our by-law provisions that (i) permit shareholders owning 10% of our common stock for one year to call special meetings and (ii) permit shareholder proxy access, meaning a group of shareholders who have owned at least 3% of the company's stock for at least 3 years may submit up to 2 director nominees or 25% of the board, whichever is greater, for inclusion in our proxy statement."

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