

STATE OF ILLINOIS
CONTRACT-OBLIGATION DOCUMENT

FY13

Agency No. 478

PLEASE TYPE

Fiscal Year	Transaction Code	Contract/Obligation No.	Transaction Date	Nine Digit Taxpayer ID. Number	Legal Status
2013	G 21 10	13Z1819001	07/10/13		04
Contract Action		Class Code	Governors Release No.	Vendors Name and Address	
1. <input checked="" type="checkbox"/> New 2. <input type="checkbox"/> Change		45	POSTED 2	COGNIZANT TECHNOLOGY SOLUTIONS US CORPORATION 24721 NETWORK PLACE CHICAGO IL 60673-1247	
Appropriation Account Code		Obligation Amount			
421-47805-1900-00-00		4,683.20			
			Multiple Year Contract		Maximum Contract Amount
			From 06/20/13 To 06/19/19 MO/DAY/YR MO/DAY/YR		64,915,854.24
			Current Fiscal Year of Contract		Annual Contract Amount
			From 06/20/13 To 06/30/13 MO/DAY/YR MO/DAY/YR		4,683.20
					Reimbursement Expenses Included
			Multiple Year Contract Amounts Year 2-7(end over)		
			2	3	4
			12,855,384.80	12,628,820.00	12,628,820.00
			6	6	7
			12,628,820.00	10,321,154.24	3,848,172.00

Description 1242 Audit & Management Services

Consulting services to assist with the MMIS Upgrade Project.

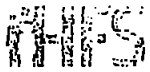
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**STATE COMPTROLLER
 OBLIGATIONS SECTION**

Obligations to the state will cease immediately without penalty of further payment being require if, in any fiscal year, the Illinois General Assembly or federal funding source fails to appropriate or otherwise make available sufficient funds for this agreement.

Method of Compensation		Procurement Information		Travel Expense	
(If Multiple Rates, Specify)		Award Code B		YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	
4,683.20 Per MR		Publication Date 03/30/12		Amount	
Rate Time		Reference 22023351		Advance Payment	
		Subcontractor Utilization (y/n) Y		YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	
		Subcontractor Disclosure (y/n) Y			
DOUGLAS D. MURPHY 785-5226 07/12/13		HFS /Bureau of Application Develop			
Prepared By / Phone Number		Contracting Agency/Division			
JULIE HAMOS 07/12/13		HFS /BUREAU OF FISCAL OPERATIONS			
Authorized By		Filing Agency/Division			



CONTRACT APPROVAL DOCUMENT

Procurement Tracking # 2012-60-011

The attached (select one) Contract with (Enter Contractor's Name below)

Logimart Technology Solutions LLC Corporation

in the amount of \$ 54,000.00 plus 8.33% in travel for FY 13-14 is approved

Eggy Diaz
Bureau Chief (or nearest organizational equivalent)

6/17/2013
Date

[Signature]
Division Administrator

6-17-2013
Date

Deputy / Assistant Director

Date

[Signature]
Division of Finance

6-17-13
Date

The Contract is subject to the CMS Procurement Business Case process.

☒ Yes ☐ No

All applicable approvals have been obtained by the Department.

☒ Yes ☐ No

If the Contract equals or exceeds \$250,000 in a fiscal year, or the amendment or renewal results in a contract that equals or exceeds \$250,000 in a fiscal year, the following signatures are needed.

[Signature]
Chief Legal Counsel Jeanette Badrov

6/18/2013
Date

[Signature]
Chief Fiscal Officer Jack Dodds

6-19-13
Date

[Signature]
Director Julie Hamms

6/20/13
Date

**CONTRACT
2012-62-011**

The Parties to this contract are the State of Illinois acting through the undersigned Agency, the Illinois Department of Healthcare And Family Services ("HFS" or collectively the State) and the Vendor. This contract, consisting of the signature page and numbered sections listed below and any attachments referenced in this contract, constitutes the entire contract between the Parties concerning the subject matter of the contract, and supersedes all prior proposals, contracts and understandings between the Parties concerning the subject matter of the contract. This contract can be signed in multiple counterparts and signature may be electronic or digital upon agreement of the Parties.

1. TERM AND TERMINATION
2. DESCRIPTION OF SUPPLIES AND SERVICES
3. PRICING
4. STANDARD BUSINESS TERMS AND CONDITIONS
5. STANDARD CERTIFICATIONS
6. DISCLOSURES AND CONFLICTS OF INTEREST
7. SUPPLEMENTAL PROVISIONS

In consideration of the mutual covenants and agreements contained in this contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions set forth herein and have caused this contract to be executed by their duly authorized representatives on the dates shown below.

VENDOR

Cognizant Technology Solutions U.S. Corporation

Signature Eugene Solomonov

Printed Name EUGENE SOLOMONOV

Title CORPORATE COUNSEL Date 06/14/2013

Address 500 FRANK W. BURR BOULEVARD
TEANECK, NEW JERSEY 07666

Phone 201-801-0233 Fax 201-801-0243

E-mail EUGENE.SOLOMONOV@COGNIZANT.COM

STATE OF ILLINOIS

Healthcare and Family Services

Official Signature Jule Harnos

Printed Name Jule Harnos

Title Director Date 6/20/2013

Designee Signature _____

Printed Name _____

Title _____

Address 201 South Grand Avenue East
Springfield, IL 62763

Phone 217-782-7755 Fax _____

E-mail _____

CHIEF PROCUREMENT OFFICER

Official Signature _____

Printed Name _____

Title _____ Date _____

Address _____

Designee Signature _____

Printed Name _____

Title _____ Date _____

**STATE USE ONLY
PROVISIONS**

NOT PART OF CONTRACTUAL

<u>PBC#</u>	<u>Project Title</u>
<u>Contract #</u>	<u>Procurement Method (IFB, RFP, Small, etc):</u>
<u>IPB Ref. #</u>	<u>IPB Publication Date:</u>
<u>Code:</u>	<u>Award</u>
<u>Subcontractor Utilization? Yes No</u>	<u>Subcontractor Disclosure? Yes No</u>
<u>Funding Source</u>	<u>Obligation #</u>
<u>CPO 33 - General Counsel Approval:</u>	
<u>Signature</u>	<u>Printed Name</u>
	<u>Date</u>

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

1. TERM AND TERMINATION

1.1 TERM OF THIS CONTRACT:

The term of this contract shall be from the date of final execution by the State and shall continue for 6 years.

If a start date is not identified, the term shall commence upon the last dated signature of the Parties.

In no event will the total term of the contract, including the initial term, any renewal terms and any extensions, exceed 10 years.

Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract.

1.2 RENEWAL: Subject to the maximum total term as identified above, the State has the option to renew for the following term(s):

The Contract may be renewed as shown below.

The State reserves the right to renew for a total of 4 years in one of the following manners:

- a) One renewal covering the entire renewal allowance,
- b) Individual one-year renewals up to and including the entire renewal allowance, or
- c) Any combination of full or partial-year renewals up to and including the entire renewal allowance.

Pricing for the renewal term(s), or the formula for determining price is shown in the pricing section of this contract.

Any renewal is subject to the same terms and conditions as the original contract except as stated in this subsection. The State may renew this contract for any or all of the option periods specified; may exercise any of the renewal options early and may exercise more than one option at a time based on continuing need and favorable market conditions when in the best interest of the State. The contract may not renew automatically nor may the contract renew solely at the Vendor's option.

1.3 TERMINATION FOR CAUSE: The State may terminate this contract, in whole or in part, immediately upon notice to the Vendor if: (a) the State determines that the actions or inactions of the Vendor, its agents, employees or subcontractors have caused, or reasonably could cause, jeopardy to health, safety, or property, or (b) the Vendor has notified the State in writing that it is unable or unwilling to perform the contract.

If Vendor fails to perform to the State's satisfaction any material requirement of this contract, is in violation of a material provision of this contract, or the State determines that the Vendor lacks the financial resources to perform the contract, the State shall provide written notice to the Vendor to cure the problem identified within the period of time specified in the State's written notice. If not cured by that date the State may either: (a) immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

For termination due to any of the causes contained in this Section, the State retains its rights to seek any available legal or equitable remedies and damages.

1.4 TERMINATION FOR CONVENIENCE: The State may, for its convenience and with 30 days prior written notice to Vendor, terminate this contract in whole or in part and without payment of any penalty or incurring any further obligation to the Vendor. Vendor may, for its convenience and with 120 days prior written notice to the State, terminate this contract without payment of any penalty or incurring any further obligation to the State. The Vendor shall be entitled to compensation upon submission of invoices for supplies and services provided in compliance with this contract up to and including the date of termination.

1.5 PAYMENT UPON TERMINATION: The Vendor shall be entitled to compensation upon submission of invoices for supplies and services provided in compliance with this contract up to and including the date of termination.

2. DESCRIPTION OF SUPPLIES AND SERVICES

- 2.1 **GOAL:** HFS desires Vendor to provide professional experts to assist with the Medicaid Management Information System (MMIS) Upgrade Project. HFS does not desire to engage all the experts at once but rather to be able to staff the projects optimally at the time required. As these projects progress, staffing requirements may change and HFS reserves the right to request additional experts, although the expertise categories will remain stable over the course of this contract, and Vendor will use reasonable efforts to provide such additional experts within the timeframe agreed by the parties. HFS intends to transition its resourcing model to a Full Time Equivalent (FTE) model to support the new Pharmacy Benefit Management System (PBMS) and MMIS systems in the future, which may reduce the requirements for Vendor staff as these projects progress.

2.2 **SUPPLIES AND/OR SERVICES REQUIRED:**

- 2.2.1 Vendor shall provide expertise to assist with the MMIS Upgrade Project, which includes upgrades to the PBMS and Core MMIS. HFS may, at its sole option, determine that additional experts from the categories listed below are needed throughout the course of the project and Vendor will use reasonable efforts to provide such additional experts within the timeframe agreed by the parties. HFS may, at its sole option, increase or decrease the number of experts required over the course of the project.

Experts are divided into the following categories:

2.2.1.1 Expertise Category 1 – Project Management Experts

Vendor shall provide qualified Project Management experts to support both the PBMS and the Core MMIS projects.

2.2.1.2 Expertise Category 2 – Medicaid Team Leader Experts

Vendor shall provide Medicaid Team Leader experts to support both the PBMS and the Core MMIS projects. The Team leaders shall coordinate the activities, status and productivity of the Subject Matter Experts (SME) team they lead. These experts shall have experience in their particular area of Medicaid expertise. These experts include:

2.2.1.2.1 A Medicaid Policy Liaison with extensive experience in the overall administration of a Medicaid program for a State Medicaid enterprise.

2.2.1.2.2 Vendor shall provide thirteen (13) Team Leaders with expertise in one of each Medicaid business area listed below and with managerial or leadership experience and capability:

2.2.1.2.2.1 Provider Management

2.2.1.2.2.2 Member Management

2.2.1.2.2.3 Claims Processing

2.2.1.2.2.4 Pharmacy Program

2.2.1.2.2.5 Collections / Recovery

2.2.1.2.2.6 Fiscal Management

2.2.1.2.2.7 Waiver Program Management

2.2.1.2.2.8 Reimbursement

2.2.1.2.2.9 Federal Reporting

2.2.1.2.2.10 Program Integrity

2.2.1.2.2.11 Long Term Care

2.2.1.2.2.12 Managed Care

2.2.1.2.2.13 Provider Enrollment

2.2.1.3 Expertise Category 3 – Medicaid Subject Matter Experts

2.2.1.3.1 Vendor shall provide the following subject matter experts to support the PBMS project. They will report to the SME Team Leader designated and shall provide status and other assistance as required. These experts shall have expertise in their specific area of Medicaid expertise. These experts include:

2.2.1.3.1.1 Twelve (12) for Provider Enrollment

2.2.1.3.1.2 One(1) for Member Management

2.2.1.3.1.3 One (1) for Claims Processing

2.2.1.3.1.4 Three (3) for Pharmacy Program

2.2.1.3.2 Vendor shall provide the following subject matter experts to support the Core MMIS project. These experts shall have experience in their particular area of Medicaid expertise.

2.2.1.3.2.1 Twelve (12) for Provider Enrollment

2.2.1.3.2.2	Two (2) for Member Management
2.2.1.3.2.3	Three (3) for Claims Processing
2.2.1.3.2.4	Three (3) for Pharmacy Program
2.2.1.3.2.5	Two (2) for Collection / Recovery
2.2.1.3.2.6	Two (2) for Fiscal Management
2.2.1.3.2.7	Two (2) for Managed Care
2.2.1.3.2.8	Two (2) for Waiver Program
2.2.1.3.2.9	Two (2) for Reimbursement
2.2.1.3.2.10	Two (2) for Federal Reporting
2.2.1.3.2.11	Three (3) for Program Integrity
2.2.1.3.2.12	One (1) for Long Term Care
2.2.1.3.2.13	Three (3) for Provider Management
2.2.1.3.2.14	One (1) for Dental Program

2.2.1.4 Expertise Category 4 – Business Services Experts

Vendor shall provide a Culture Change Management Specialist to support both the PBMS and the Core MMIS projects. The specialist shall plan, direct and control the culture change management process for the MMIS Upgrade project

2.2.1.5 Expertise Category 5- Technical Services Experts

Vendor shall provide an Audit and Security Coordinator expert and a Quality Assurance Coordinator expert to support both the PBMS and the Core MMIS projects.

- 2.2.2. HFS will identify the area needed on the staffing requisition provided to the Vendor at the time the expert is needed.
- 2.2.3. Vendor will use reasonable efforts to comply with HFS's request and HFS will work with Vendor to come to a mutually agreed upon amount of time for Vendor to provide a qualified expert to fill a staffing requisition.
- 2.2.4. The Agency may, at its sole option, require an in-person interview or a phone interview with prospective experts within two weeks after the vendor is notified in writing that the Agency intends to interview the expert(s). If an in-person interview is required, the interview will be held in Springfield, IL.
- 2.2.5. HFS may, at its sole option, determine during an interview whether a proposed expert does or does not have the necessary skill-set. If the expert is deemed qualified, HFS will work with Vendor to determine a start date for that expert. If the expert is deemed unqualified, HFS will provide the vendor a new staffing requisition seeking another qualified expert.
- 2.2.6. HFS may, at its sole option, determine that additional experts are needed throughout the course of the project. HFS will supply the Vendor a staffing requisition if additional experts are needed and Vendor will use reasonable efforts to provide such additional experts within the timeframe agreed by the parties. HFS may, at its sole option, increase or decrease the amount of experts required over the course of the project.
- 2.2.7. HFS may, at its sole option, release any expert supplied by Vendor who, in HFS's reasonable opinion, fails to perform/demonstrate the necessary skills to complete any respective part of this project. If the expert is released, HFS may, at its sole option, replace the expert and will give Vendor a new staffing requisition seeking a qualified expert.

2.3 VENDOR / STAFF SPECIFICATIONS:

- 2.3.1 Vendor shall obtain the required staff to fill the requested requisitions. Vendor shall also perform the following duties under this contract:
 - 2.3.1.1. ensure that the proposed staff possess the required qualifications
 - 2.3.1.2. determine which select candidates will be submitted to HFS
 - 2.3.1.3. ensure that HFS will get the number of experts HFS needs.
- 2.3.2 The Vendor shall provide an individual to act as Vendor's central point of contact for HFS to submit staffing requisitions, receive staffing information, control invoicing and provide billing information.

2.4 ASSIGNMENT AND SUBCONTRACTING:

- 2.4.1 This contract may not be assigned, transferred in whole or in part by the Vendor without the prior written consent of the State.

- 2.4.2 For purposes of this section, subcontractors are those specifically hired to perform all or part of the work covered by the contract.

Will subcontractors be utilized? ☒ Yes ☐ No

- 2.4.3 Vendor shall describe below the names and addresses of all authorized subcontractors to be utilized by Vendor in the performance of this contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money that each subcontractor is expected to receive pursuant to this contract. Vendor shall provide a copy of any subcontracts if requested by the State.

Subcontractor Name SLG Innovation Inc. Amount to be paid Approximately
\$22,638,298.98 (based on the expected volume of services)
Address Canal Street, Suite 1523 Chicago, IL 60606
Description of work SLG Innovation shall provide experienced staff to Vendor to perform services related to the MMIS Upgrade Project Experts Services on an "as needed" basis.

Subcontractor Name _____ Amount to be paid _____
Address _____ Description of work _____

- 2.4.4 The Vendor shall notify the State of any additional or substitute subcontractors hired during the term of this contract. Vendor shall provide to the State a copy of all such subcontracts within 20 days of execution of the subcontract.

- 2.4.5 All subcontracts must include the same certifications that Vendor must make as a condition of this contract. Vendor shall include in each subcontract the subcontractor certifications as shown on the Standard Subcontractor Certification form available from the State.

2.5 **TRANSPORTATION AND DELIVERY: N/A**

- 2.6 **WHERE SERVICES ARE TO BE PERFORMED:** Unless otherwise specified in this section all services shall be performed in the United States. If the Vendor manufactures the supplies or performs the services purchased hereunder in another country in violation of this provision, such action may be deemed by the State as a breach of the contract by Vendor. Vendor shall disclose the locations where the services required shall be performed and the known or anticipated value of the services to be performed at each location. If the Vendor received additional consideration in the evaluation based on work being performed in the United States, it shall be a breach of contract if the Vendor shifts any such work outside the United States.

Location where services will be performed Illinois & Michigan
Value of services performed at this location 100%

Location where services will be performed _____
Value of services performed at this location _____

- 2.7 **SCHEDULE OF WORK:** Any work performed on State premises shall be done during the hours reasonably designated by the State and performed in a manner that does not unreasonably interfere with the State and its personnel.

2.8 **WARRANTIES FOR SUPPLIES AND SERVICES:**

- 2.8.1 Vendor warrants that, subject to the Warranty Period, all services will be performed to meet, in all material respects, the requirements of the contract in an efficient and effective manner by trained and competent personnel. "Warranty Period" means a period of thirty (30) days following the performance of a particular service or such other time period agreed upon by the parties in writing. Vendor shall monitor performances of each individual and shall promptly reassign any individual who is not performing in accordance with the contract, who is disruptive or not respectful of others in the workplace, or who in any way violates the contract or State policies made known to Vendor, in advance, in writing.

- 2.8.2 Except as expressly provided in this contract, vendor does not make or give any representation or warranty or condition of any kind, whether such representation, warranty, or condition be express or implied, including any warranty of merchantability, quality, or fitness for a particular purpose or any representation, warranty or condition from course of dealing or usage of trade.

2.9 **REPORTING, STATUS AND MONITORING SPECIFICATIONS:**

- 2.9.1 Vendor shall immediately notify the State of any event that may have a material impact on Vendor's ability to perform the contract.
 - 2.9.2 By August 31 of each year, Vendor shall report the number of qualified veterans and certain ex-offenders hired during Vendor's last completed fiscal year. Vendor may be entitled to employment tax credit for hiring individuals in those groups (35 ILCS 5/216, 5/217).
- 2.10 NON-INFRINGEMENT WARRANTY BY STATE
- 2.10.1 All materials provided to Vendor by or on behalf of the State for Vendor's use in providing the services will be owned or fully licensed by the State, and the State has the right to provide such materials to Vendor.

3. PRICING

3.1 METHOD AND RATE OF COMPENSATION:

Initial Term

<u>Expertise Categories</u>	<u>Hourly Rate</u>	<u># of Estimated Hours</u>	<u>Estimated Total</u>
Project Management Experts	\$117.08	X 12,000 hours	= \$1,404,960.00
Medicaid Team Leader Experts	\$109.28	X 168,000 hours	= \$18,359,040.00
Medicaid Subject Matter Experts	\$109.28	X 378,883 hours	= \$41,404,334.24
Business Services Experts	\$97.57	X 12,000 hours	= \$1,170,840.00
Technical Services Experts	\$97.57	X 24,000 hours	= \$2,341,680.00
Estimated Total Initial Term			\$64,680,854.24

Hours shown are only estimates. HFS is not obligated to pay the total dollar amounts shown. Vendor shall be paid on an hourly basis.

3.2 TYPE OF PRICING: Pricing under this contract is

- ☐ Firm N/A
- ☒ Estimated _____

3.3 RENEWAL COMPENSATION: If this contract is renewed, the price shall follow the formula below:

Renewals

<u>Expertise Categories</u>	<u>Hourly Rate</u>	<u># of Estimated Hours</u>	<u>Estimated Total</u>
Project Management Experts	\$128.79	X 8,000 hours	= \$1,030,320.00
Medicaid Team Leader Experts	\$120.21	X 112,000 hours	= \$13,463,520.00
Medicaid Subject Matter Experts*	\$120.21	X 0 hours	= \$ 0.00
Business Services Experts	\$107.33	X 8,000 hours	= \$ 858,640.00
Technical Services Experts	\$107.33	X 16,000 hours	= \$1,717,280.00
Estimated Total Renewal			\$17,069,760.00

Hours shown are only estimates. HFS is not obligated to pay the total dollar amounts shown. Vendor shall be paid on an hourly basis.

*HFS does not anticipate any Medicaid Subject Matter Experts needed in the Renewal term, However, HFS may, at its sole option; determine that Medicaid Subject Matter Experts are needed. Per section 2.2.1, HFS may, at its sole option, increase or decrease the number of experts required over the course of the project.

3.4 EXPENSES: All travel must be approved by HFS prior to traveling. The Vendor will be reimbursed up to \$200,000 for travel expenses for the first contract year and \$7,000 for each additional contract year. Expenses billed for travel must follow the State of Illinois Travel Guidelines. The Vendor will not be requested to travel if the money has already been expended for that year. For further information on the State of Illinois Travel Guidelines please go to http://www.cms.il.gov/cms/2_servicese_oth/trvguid.htm.

3.5 DISCOUNT: 0.5 % discount for payment within 10 days of receipt of invoice

3.6 TAX: Vendor shall not bill for any taxes unless accompanied by proof the State is subject to the tax. If necessary, Vendor may request the applicable agency's Illinois tax exemption number and federal tax exemption information.

3.7 INVOICING:

- 3.7.1 Vendor shall invoice the Agency monthly for all fees, charges, and reimbursable items payable to Vendor. The invoice should contain two timesheets, one from the first day of each month through the fifteenth day, and the second from the sixteenth day through the last day of each month. The billable hours on the invoice must equal hours worked multiplied by the hourly rate in effect under the contract. The Agency will use its best efforts to initiate payment of complete and approved invoices within sixty (60) days after receipt of such invoices from Vendor. Send invoices to: HFS IT Contract Monitor, 2200 Churchill Road, Building C-3, Springfield, Illinois 62702.

- 3.7.2 Vendor shall not work overtime, on weekends or on state holidays unless previous arrangements have been made and prior Agency approval has been obtained. Any approved overtime (in excess of 8 hours per day or 40 hours per week) is to be billed at the straight, hourly rate in effect under the contract.
- 3.7.3 All invoices submitted by the Vendor shall contain the "Contractor Statement of Hours Worked" timesheet that is generated from the Agency's system.
- 3.7.4 The State requires a fee of \$15 to cover expenses related to the administration of the Minority Contractor Opportunity Initiative. Vendor shall pay a fee of \$15. The Comptroller shall deduct the fee from the first check issued to the Vendor under the contract.

3.8 PAYMENT TERMS AND CONDITIONS:

- 3.8.1 By submitting an invoice, Vendor certifies that the supplies or services provided meet all requirements of the contract in all material respects, and the amount billed and expenses incurred are as allowed in the contract. Invoices for supplies purchased, services performed and expenses incurred through June 30 of any year must be submitted to the State no later than July 31 of that year; otherwise Vendor may have to seek payment through the Illinois Court of Claims (30 ILCS 105/25). All invoices are subject to statutory offset (30 ILCS 210).
- 3.8.2 Payments, including late payment charges, will be paid in accordance with the State Prompt Payment Act (30 ILCS 540) and rules (74 Ill. Adm. Code 900) when applicable. This shall be Vendor's sole remedy for late payments by the State. Payment terms contained on Vendor's invoices shall have no force and effect.
- 3.8.3 The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.
- 3.8.4 Vendor must (i) be in compliance with all material provisions of the contract, (ii) pay its employees prevailing wages when required by applicable law (Examples of prevailing wage categories include public works, printing, janitorial, window washing, building and grounds services, site technician services, natural resource services, security guard and food services. Vendor is responsible for contacting the Illinois Dept. of Labor 217-782-6206; <http://www.state.il.us/agency/idol/index.htm> to ensure understanding of prevailing wage requirements), (iii) pay its suppliers and subcontractors according to the terms of their respective contracts, and (iv) provide lien waivers to the State upon request.

4. **STANDARD BUSINESS TERMS AND CONDITIONS**
- 4.1. **AVAILABILITY OF APPROPRIATION (30 ILCS 500/20-60):** This contract is contingent upon and subject to the availability of funds. The State, at its sole option, may terminate or suspend this contract, in whole or in part, without penalty or further payment being required, if (1) the Illinois General Assembly or the federal funding source fails to make an appropriation sufficient to pay such obligation, or if funds needed are insufficient for any reason, (2) the Governor decreases the Department's funding by reserving some or all of the Department's appropriation(s) pursuant to power delegated to the Governor by the Illinois General Assembly; or (3) the Department determines, in its sole discretion or as directed by the Office of the Governor, that a reduction is necessary or advisable based upon actual or projected budgetary considerations. Contractor will be notified in writing of the failure of appropriation or of a reduction or decrease.
- 4.2. **AUDIT/RETENTION OF RECORDS (30 ILCS 500/20-65):** Vendor and its subcontractors shall maintain books and records relating to the performance of the contract or subcontract and necessary to support amounts charged to the State under the contract or subcontract. Books and records, including information stored in databases or other computer systems, shall be maintained by the Vendor for a period of three years from the later of the date of final payment under the contract or completion of the contract, and by the subcontractor for a period of three years from the later of final payment under the term or completion of the subcontract. If federal funds are used to pay contract costs, the Vendor and its subcontractors must retain its records for five years. Books and records required to be maintained under this section shall be available for review or audit by representatives of: the procuring Agency, the Auditor General, the Executive Inspector General, the Chief Procurement Officer, State of Illinois internal auditors or other governmental entities with monitoring authority, upon reasonable notice and during normal business hours. Vendor and its subcontractors shall cooperate fully with any such audit and with any investigation conducted by any of these entities. Failure to maintain books and records required by this section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under the contract for which adequate books and records are not available to support the purported disbursement. The Vendor or subcontractors shall not impose a charge for audit or examination of the Vendor's books and records.
- 4.3. **NO WAIVER OF RIGHTS:** Except as specifically waived in writing, failure by a Party to exercise or enforce a right does not waive that Party's right to exercise or enforce that or other rights in the future.
- 4.4. **FORCE MAJEURE:** Failure by either Party to perform its duties and obligations will be excused by unforeseeable circumstances beyond its reasonable control and not due to its negligence including acts of nature, acts of terrorism, riots, labor disputes, fire, flood, explosion, and governmental prohibition. The non-declaring Party may, upon written notice, cancel the contract without penalty if performance does not resume within 30 days of the declaration.
- 4.5. **CONFIDENTIAL INFORMATION:** Each Party, including its agents and subcontractors, to this contract may have or gain access to confidential data or information owned or maintained by the other Party in the course of carrying out its responsibilities under this contract. Vendor shall presume all information received from the State or to which it gains access pursuant to this contract is confidential. Vendor information, unless clearly marked as confidential and exempt from disclosure under the Illinois Freedom of Information Act, shall be considered public. No confidential data collected, maintained, or used in the course of performance of the contract shall be disseminated except as authorized by law and with the written consent of the disclosing Party, either during the period of the contract or thereafter. The receiving Party must return any and all data collected, maintained, created or used in the course of the performance of the contract, in whatever form it is maintained, promptly at the end of the contract, or earlier at the request of the disclosing Party, or notify the disclosing Party in writing of its destruction. The foregoing obligations shall not apply to confidential data or information lawfully in the receiving Party's possession prior to its acquisition from the disclosing Party; received in good faith from a third-party not subject to any confidentiality obligation to the disclosing Party; now is or later becomes publicly known through no breach of confidentiality obligation by the receiving Party; or is independently developed by the receiving Party without the use or benefit of the disclosing Party's confidential information.
- 4.6. **USE AND OWNERSHIP:** All work performed or supplies created by Vendor under this contract, whether written documents or data, goods or deliverables of any kind, shall be deemed work-for-hire under copyright law and all intellectual property and other laws, and the State of Illinois is granted sole and exclusive ownership to all such work, unless otherwise agreed in writing. Vendor hereby assigns to the State all right, title, and interest in and to such work including any related intellectual property rights, and/or waives any and all claims that Vendor may have to such work including any so-called "moral rights" in connection with the work. Vendor acknowledges the State may use the work product for any purpose. Confidential data or information contained in such work shall be subject to confidentiality provisions of this contract. Notwithstanding anything herein to the contrary, the State acquires no rights in Vendor's intellectual property or other proprietary works of authorship, preexisting or otherwise, that have not been created specifically for the State hereunder, including without limitation, any derivatives thereof, which have been or are originated, developed, purchased, acquired or licensed by Vendor or its affiliates, or by third parties under contract to Vendor or its affiliates, unless created specifically for the State hereunder.
- 4.7. **INDEMNIFICATION AND LIABILITY:** The Vendor shall indemnify and hold harmless the State of Illinois, its agencies, officers,

employees, agents and volunteers from any and all costs, demands, expenses, losses, claims, damages, liabilities, settlements and judgments, including reasonable in-house and contracted attorneys' fees and expenses, arising out of: (a) any breach or violation by Vendor of any of its certifications, representations, warranties, covenants or agreements set forth herein; (b) any actual or alleged death or injury to any person, damage to any property or any other damage or loss claimed to result in whole or in part from Vendor's negligent performance; or (c) any act, activity or omission of Vendor or any of its employees, representatives, subcontractors or agents in breach of this contract. Neither Party shall be liable for incidental, special, consequential or punitive damages of any kind or nature whatsoever, whether in an action based on contract, warranty, strict liability, tort (including, without limitation, negligence) or otherwise, even if such Party has been informed in advance of the possibility of such damages or such damages could have been reasonably foreseen by such Party. Vendor's liability to the State arising out of or in connection with this contract shall not exceed, in the aggregate, the total fees paid or payable by the State under this contract, provided, notwithstanding anything herein to the contrary, in no event shall the Vendor's liability be (i) less than Twenty Five Million Dollars (\$25,000,000) or (ii) greater than One Hundred Million Dollars (\$100,000,000). The limitations specified in this section will survive and apply even if any limited remedy specified in this contract is found to have failed of its essential purpose.

- 4.8. **INSURANCE:** Vendor shall, at all times during the term and any renewals, maintain and provide a Certificate of Insurance naming the State as additional insured for all required bonds and insurance where permitted by law. The Vendor shall notify the Agency of any insurer changes. Certificates may not be invalidated until at least 30 days notice has been provided to the State by Vendor. Vendor shall provide: (a) General Commercial Liability-occurrence form in amount of \$1,000,000 per occurrence (Combined Single Limit Bodily Injury and Property Damage) and \$2,000,000 Annual Aggregate; (b) Auto Liability, including Hired Auto and Non-owned Auto, (Combined Single Limit Bodily Injury and Property Damage) in amount of \$1,000,000 per accident; and (c) Worker's Compensation Insurance in amount required by law. Insurance shall not limit Vendor's obligation to indemnify, defend, or settle any claims.
- 4.9. **INDEPENDENT CONTRACTOR:** Vendor shall act as an independent contractor and not an agent or employee of, or joint venturer with the State. All payments by the State shall be made on that basis.
- 4.10. **SOLICITATION AND EMPLOYMENT:** Vendor shall not employ any person employed by the State during the term of this contract to perform any work under this contract. Vendor shall give notice immediately to the Agency's director if Vendor solicits or intends to solicit State employees to perform any work under this contract.
- 4.11. **COMPLIANCE WITH THE LAW:** The Vendor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders, federal circulars and all license and permit requirements in the performance of this contract. Vendor shall be in compliance with applicable tax requirements and shall be current in payment of such taxes. Vendor shall obtain at its own expense, all licenses and permissions necessary for the performance of this contract.
- 4.12. **BACKGROUND CHECK:** Whenever the State deems it reasonably necessary for security reasons, the State may conduct, at its expense, criminal and driver history background checks of Vendor's and subcontractors officers, employees or agents. Vendor or subcontractor shall reassign immediately any such individual who, in the opinion of the State, does not pass the background checks.
- 4.13. **APPLICABLE LAW:** This contract shall be construed in accordance with and is subject to the laws and rules of the State of Illinois. The Department of Human Rights' Equal Opportunity requirements (44 Ill. Adm. Code 750) are incorporated by reference. Any claim against the State arising out of this contract must be filed exclusively with the Illinois Court of Claims (705 ILCS 505/1). The State shall not enter into binding arbitration to resolve any contract dispute. The State of Illinois does not waive sovereign immunity by entering into this contract. The official text of cited statutes is incorporated by reference (An unofficial version can be viewed at <http://www.ilga.gov/legislation/ilcs/ilcs.asp>). In compliance with the Illinois and federal Constitutions, the Illinois Human Rights Act, the U. S. Civil Rights Act, and Section 504 of the federal Rehabilitation Act and other applicable laws and rules the State does not unlawfully discriminate in employment, contracts, or any other activity.
- 4.14. **ANTI-TRUST ASSIGNMENT:** If Vendor does not pursue any claim or cause of action it has arising under federal or state antitrust laws relating to the subject matter of the contract, then upon request of the Illinois Attorney General, Vendor shall assign to the State rights, title and interest in and to the claim or cause of action.
- 4.15. **CONTRACTUAL AUTHORITY:** The Agency that signs for the State of Illinois shall be the only State entity responsible for performance and payment under the contract. When the Chief Procurement Officer or authorized designee signs in addition to an Agency, they do so as approving officer and shall have no liability to Vendor. When the Chief Procurement officer or authorized designee signs a master contract on behalf of State agencies, only the Agency that places an order with the Vendor shall have any liability to Vendor for that order.

- 4.16. **NOTICES:** Notices and other communications provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by courier (UPS, Federal Express or other similar and reliable carrier), by e-mail, or by fax showing the date and time of successful receipt. Notices shall be sent to the individuals who signed the contract using the contact information following the signatures. Each such notice shall be deemed to have been provided at the time it is actually received. By giving notice, either Party may change the contact information.
- 4.17. **MODIFICATIONS AND SURVIVAL:** Amendments, modifications and waivers must be in writing and signed by authorized representatives of the Parties. Any provision of this contract officially declared void, unenforceable, or against public policy, shall be ignored and the remaining provisions shall be interpreted, as far as possible, to give effect to the Parties' intent. All provisions that by their nature would be expected to survive, shall survive termination. In the event of a conflict between the State's and the Vendor's terms, conditions and attachments, the State's terms, conditions and attachments shall prevail.
- 4.18. **PERFORMANCE RECORD / SUSPENSION:** Upon request of the State, Vendor shall meet to discuss performance or provide contract performance updates to help ensure proper performance of the contract. The State may consider Vendor's performance under this contract and compliance with law and rule to determine whether to continue the contract, suspend Vendor from doing future business with the State for a specified period of time, or to determine whether Vendor can be considered responsible on specific future contract opportunities.
- 4.19. **FREEDOM OF INFORMATION ACT:** This contract and all related public records maintained by, provided to or required to be provided to the State are subject to the Illinois Freedom of Information Act notwithstanding any provision to the contrary that may be found in this contract.

5. STANDARD CERTIFICATIONS

Vendor acknowledges and agrees that compliance with this section and each subsection for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this section and each subsection and is under a continuing obligation to remain in compliance and report any non-compliance.

This section, and each subsection, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Subcontractor Certification form provided by the State.

If this contract extends over multiple fiscal years including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

- 5.1 As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:
- the contract may be void by operation of law,
 - the State may void the contract, and
 - the Vendor and its subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

- 5.2 Vendor certifies it and its employees will comply with applicable provisions of the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) and applicable rules in performance under this contract.
- 5.3 Vendor certifies it is not in default on an educational loan (5 ILCS 385/3). This applies to individuals, sole proprietorships, partnerships and individuals as members of LLCs.
- 5.4 Vendor (if an individual, sole proprietor, partner or an individual as member of a LLC) certifies it has not received an (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, 40 ILCS 5/14-108.3 and 40 ILCS 5/16-133.3, or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, 40 ILCS 5/14-108.3 and 40 ILCS 5/16-133, (30 ILCS 105/15a).
- 5.5 Vendor certifies it is a properly formed and existing legal entity (30 ILCS 500/1.15.80, 20-43); and as applicable has obtained an assumed name certificate from the appropriate authority, or has registered to conduct business in Illinois and is in good standing with the Illinois Secretary of State.
- 5.6 Vendor certifies it has not been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor has Vendor made an admission of guilt of such conduct that is a matter of record (30 ILCS 500/50-5).
- 5.7 If Vendor has been convicted of a felony, Vendor certifies at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business (30 ILCS 500/50-10).
- 5.8 If Vendor, or any officer, director, partner, or other managerial agent of Vendor, has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false (30 ILCS 500/50-10.5).
- 5.9 Vendor certifies it is not barred from having a contract with the State based on violating the prohibition on providing assistance to the state in identifying a need for a contract (except as part of a public request for information process) or by reviewing, drafting or preparing solicitation or similar documents for the State (30 ILCS 500/50-10.5e).
- 5.10 Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if

this certification is false (30 ILCS 500/50-11) or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt (30 ILCS 500/50-60).

- 5.11 Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act (30 ILCS 500/50-12) and acknowledges that failure to comply can result in the contract being declared void.
- 5.12 Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract (30 ILCS 500/50-14).
- 5.13 Vendor certifies it has not paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor has Vendor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract (30 ILCS 500/50-25).
- 5.14 Vendor certifies it is not in violation of the "Revolving Door" section of the Illinois Procurement Code (30 ILCS 500/50-30).
- 5.15 Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement (30 ILCS 500/50-38).
- 5.16 Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers or employees of the State (30 ILCS 500/50-40, 50-45, 50-50).
- 5.17 In accordance with the Steel Products Procurement Act, Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring agency grants an exception (30 ILCS 565).
- 5.18
 - a) If Vendor employs 25 or more employees and this contract is worth more than \$5000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.
 - b) If Vendor is an individual and this contract is worth more than \$5000, Vendor shall not engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance during the performance of the contract (30 ILCS 580).
- 5.19 Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the U.S. Department of Commerce. This applies to contracts that exceed \$10,000 (30 ILCS 582).
- 5.20 Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States (720 ILCS 5/33 E-3, E-4).
- 5.21 Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, including equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies (775 ILCS 5/2-105).
- 5.22 Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any "discriminatory club" (775 ILCS 25/2).
- 5.23 Vendor certifies it complies with the State Prohibition of Goods from Forced Labor Act, and certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor, or indentured labor under penal sanction (30 ILCS 583).
- 5.24 Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor or any child under the age of 12 (30 ILCS 584).
- 5.25 Vendor certifies that it is not in violation of Section 50-14.5 of the Illinois Procurement Code (30 ILCS 500/50-14.5) that states: "Owners of residential buildings who have committed a willful or knowing violation of the Lead Poisoning Prevention Act (410 ILCS 45) are prohibited from doing business with the State until the violation is mitigated".
- 5.26 Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then-serving Governor's family

members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over \$25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.

- 5.27 Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract will comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at www.dhs.state.il.us/itaa. (30 ILCS 587)
- 5.28 Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code (30 ILCS 500/20-160 and 50-37). Vendor will not make a political contribution that will violate these requirements. These requirements are effective for the duration of the term of office of the incumbent Governor or for a period of 2 years after the end of the contract term, whichever is longer.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

☐ Vendor is not required to register as a business entity with the State Board of Elections.

or

☒ Vendor has registered and has attached a copy of the official certificate of registration as issued by the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

6.0 FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

Financial Disclosures and Conflicts of Interest forms ("forms") must be accurately completed and submitted by the vendor, any parent entity(ies) and any subcontractors. There are nine steps to this form and each must be completed as instructed in the step heading, unless otherwise provided. A bid, offer, or proposal that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid, offer, or proposal or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the previously submitted form is no longer accurate, disclosing entities must provide an updated form.

Separate forms are required for the vendor, any parent entity(ies) and any subcontractors.

Subcontractor forms must be provided with a copy of the subcontract, if required, within 15 days after execution of the State contract or after execution of the subcontract, whichever is later, for all subcontracts with an annual value of more than \$50,000.

This disclosure is submitted for:

- ☒ Vendor
☐ Vendor's Parent Entity(ies) (100% ownership)
☐ Subcontractor(s) >\$50,000
☐ Subcontractor's Parent Entity(ies) > \$50,000

Project Name and Illinois Procurement Bulletin Number	MMIS Project Upgrade Services, procurement # 2012-62-011
Vendor Name	Cognizant Technology Solutions U.S. Corporation
Doing Business As (DBA)	N/A
Parent Entity	Cognizant Technology Solutions Corporation
Subcontractor	SLG Innovation Inc..
Instrument of Ownership or Beneficial Interest	Corporate Stock (C-Corporation, S-Corporation, Professional Corporation, Service Corporation) <input type="checkbox"/> If you selected Other, please describe: N/A

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

1.B. ☐ Attach a copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 200 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2

DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Complete either Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds \$106,447.20.

☒ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X

Name	Address	Percentage of Ownership	\$ Value of Ownership
Cognizant Technology Solutions Corporation	500 Frank W. Burr Boulevard, Teaneck, New Jersey 07666	100%	Please see the attached 10-K filing.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds \$106,447.20.

☒ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y

Name	Address	% of Distributive Income	\$ Value of Distributive Income
Cognizant Technology Solutions Corporation	500 Frank W. Burr Boulevard, Teaneck, New Jersey 07666	100%	Please see the attached 10-K filing.

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than \$106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than \$106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 In Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	Address
N/A	N/A

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT
 (Complete only if bid, offer, or contract has an annual value over \$25,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

☒ Yes ☐ No. Is your company represented by or do you employ a lobbyist or other agent required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

Name	Address	Relationship to Disclosing Entity
Sarah Sheehan, Illinois Governmental Consulting Group, LLC	500 N. Dearborn Street Suite 1030 Chicago, Illinois 60654	Unaffiliated Advisor

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain an Agency/University contract: Cognizant is paying \$5,000/month fee to Sarah Sheehan, Illinois Governmental Consulting Group, LLC relating to assistance with (i) Vendor's responses to the State's requests for proposal and (ii) other matters relating to Vendor's relationship with the State.

STEP 4 PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: N/A

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% (\$106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor (\$177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% (\$354,824.00) in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor? ☐ Yes ☐ No

STEP 5 POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: N/A

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No
3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No
4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No
5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that? ☐ Yes ☐ No
6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No
7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No
9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No
10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6

EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Cognizant Technology Solutions Corporation

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. N/A

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, or other ongoing procurement relationships with units of State of Illinois government? X Yes ☐ No.

If "Yes", please specify below. Attach an additional page in the same format as provided below, if desired.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
Department of Insurance	IL HIX Project	Ongoing Procurement – awaiting state's decision	Confidential Bid	12-71894
Illinois Department Central Management Services	Application Portfolio Rationalization Master Contract	Awarded, Pending Contract	\$2,303,840	22028068

Please explain the procurement relationship: N/A

STEP 9

SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Cognizant Technology Solutions U.S. Corporation.

Signature 
Printed Name: Steven Schwartz

Date: March 15th, 2013

Title: Senior Vice President, General Counsel and Secretary

Phone Number: 201-801-0233

Email Address: SSchwartz@cognizant.com

7.1 State Supplemental Provisions

- ☐ Definitions
- ☐ Required Federal Clauses, Certifications and Assurances
- ☐ ARRA Requirements (American Recovery and Reinvestment Act of 2009)
- ☐ Public Works Requirements (construction and maintenance of a public work) (820 ILCS 130/4)
- ☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than \$200 per month or \$2000 per year (30 ILCS 500/25-60)
- ☐ Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)
- ☐ BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)
- ☒ Other (describe)
State Supplemental Terms and Conditions
Attachment A –HIPAA Business Associate Agreement

Supplemental Terms and Conditions

- 7.1.1 Confidentiality of Program Recipient Identification.
Vendor shall ensure that all information, records, data, and data elements pertaining to applicants for and recipients of public assistance, or to providers, facilities, and associations, shall be protected from unauthorized disclosure by Vendor and Vendor's employees, by Vendor's corporate affiliates and their employees, and by Vendor's subcontractors and their employees, pursuant to 305 ILCS 5/11-9, 11-10, and 11-12; 42 USC 654(26); 42 CFR Part 431, Subpart F; and 45 CFR Part 160 and 45 CFR Part 164, Subparts A and E. To the extent that Vendor, in the course of performing the Contract, serves as a business associate of the Agency, as "business associate" is defined in the HIPAA Privacy Rule (45 CFR 160.103), Vendor shall assist the Agency in responding to the client as provided in the HIPAA Privacy Rule, and shall maintain for a period of six (6) years any records relevant to a client's eligibility for services under the Agency's medical programs.
- 7.1.2 Nondiscrimination.
Vendor and Vendor's principals, employees and subcontractors shall abide by Executive Orders 11246 and 11375. Vendor further agrees to take affirmative action to ensure that no unlawful discrimination is committed in any manner, including, but not limited to, in the delivery of services under this Contract.
- 7.1.3 Fraud and Abuse.
Vendor shall report in writing to the Agency's Office of Inspector General (OIG) any suspected fraud, abuse or misconduct associated with any service or function provided for under this contract by any parties directly or indirectly affiliated with this Agreement including but not limited to, Vendor staff, Vendor Subcontractor, Agency employee or Agency contractor. Vendor shall make this report within three days of first suspecting fraud, abuse or misconduct. Vendor shall not conduct any investigation of the suspected fraud, abuse or misconduct without the express concurrence of the OIG; the foregoing notwithstanding, the Vendor may conduct and continue investigations necessary to determine whether reporting is required under this paragraph. Vendor must report to OIG as described in the first sentence above. Vendor shall cooperate with all investigations of suspected fraud, abuse or misconduct reported pursuant to this paragraph. The Vendor shall require adherence with these requirements in any contracts it enters into with Subcontractors. Nothing in this paragraph precludes the Vendor or Subcontractors from establishing measures to maintain quality of services and control costs that are consistent with their usual business practices, conducting themselves in accordance with their respective legal or contractual obligations or taking internal personnel-related actions.
- 7.1.4 Exclusions.
7.1.4.1. Vendor shall screen all current and prospective employees, contractors and sub-contractors, prior to engaging their services under this Contract and at least annually thereafter, by:
7.1.4.1.1 requiring that all current or prospective employees, contractors or sub-contractors disclose whether they are an Excluded Individual or Entity; and

- 7.1.4.1.2 reviewing the list of sanctioned persons maintained by the Agency's Office of Inspector General (OIG) (<http://www.state.il.us/agency/oig>), and the List of Excluded Individuals/Entities maintained by the U.S. Department of Health and Human Services OIG (HHS/OIG) (<http://www.dhhs.gov/oig>).
- 7.1.4.2 For purposes of this section, "Excluded Individual or Entity" shall mean a person or entity which:
- 7.1.4.2.1 under Section 1128 of the Social Security Act, is or has been terminated, barred, suspended or otherwise excluded from participation in, or as the result of a settlement agreement has voluntarily withdrawn from participation in, any program under federal law, including any program under Titles XVIII, XIX, XX or XXI of the Social Security Act;
- 7.1.4.2.2 has not been reinstated in the program after a period of exclusion, suspension, debarment, or ineligibility; or
- 7.1.4.2.3 has been convicted of a criminal offense related to the provision of health care items or services in the last ten (10) years.
- 7.1.4.3 Vendor shall terminate its relations with any employee, contractor or sub-contractor immediately upon learning that such employee, contractor or sub-contractor meets the definition of an Excluded Individual or Entity, and shall notify the OIG of the termination.
- 7.1.5 Child Support.
Vendor shall ensure that its employees who provide services to the Agency under this Contract are] in compliance with child support payments pursuant to a court or administrative order of this or any other State. A partnership shall be deemed to be out of compliance with this requirement if any partner is in default. Vendor will not be considered out of compliance with the requirements of this Section if, upon request by the Agency, Vendor provides:
- 7.1.5.1 Proof of payment of past-due amounts in full;
- 7.1.5.2 Proof that the alleged obligation of past-due amounts is being contested through appropriate court or administrative proceedings and Vendor provides proof of the pendency of such proceedings; or
- 7.1.5.3 Proof of entry into payment arrangements acceptable to the appropriate State agency.
- 7.1.6 CONFLICT OF INTEREST. In addition to any other provision in this Contract governing conflicts of interest, Vendor certifies that neither Vendor, nor any party directly or indirectly affiliated with Vendor, including, but not limited to, Vendor's officers, directors, employees and subcontractors, and the officers, directors and employees of Vendor's subcontractors, shall have or acquire any interest, public or private, direct or indirect, which may conflict in any manner with performance of this Contract.
- 7.1.7 Clean Air Act and Clean Water Act.
Vendor is in compliance with all applicable standards, orders or regulations issued pursuant to the federal Clean Air Act (42 U.S.C. 7401 et seq.) and the federal Water Pollution Control Act (33 U.S.C. 1251 et seq.). Violations shall be reported to the United States Department of Health and Human Services and the appropriate Regional Office of the United States Environmental Protection Agency.
- 7.1.8 Lobbying.
- 7.1.8.1 Vendor certifies to the best of Vendor's knowledge and belief, that no federally appropriated funds have been paid or will be paid by or on behalf of Vendor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal loan or grant, or the entering into of any cooperative agreement, or the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan or cooperative agreement.
- 7.1.8.2 If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this federal contract, grant, loan or cooperative agreement, Vendor shall complete and submit Standard Form LLL, "Disclosure Forms to Report Lobbying," in accordance with its instructions. Such Form is to be obtained at Vendor's request from the Agency's Bureau of Fiscal Operations.
- 7.1.8.3 Vendor shall require that the language of this certification be included in the award document for subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
- 7.1.8.4 This certification is a material representation of fact upon which reliance was placed when this Contract was executed. Submission of this certification is a prerequisite for making or entering into the transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.
- 7.1.9 Termination for Breach of HIPAA Business Associate Agreement

Vendor shall comply with the terms of the HIPAA Business Associate Agreement set forth in Attachment A. Upon the Agency's learning of a material breach of the terms of the HIPAA Business Associate Agreement set forth in Attachment A, the Agency shall:

- 7.1.9.1 Provide Vendor with an opportunity to cure the breach or end the violation, and terminate this Contract if Vendor does not cure the breach or end the violation within the time specified by the Agency; or
 - 7.1.9.2 Immediately terminate this Contract if Vendor has breached a material term of the HIPAA Business Associate Agreement and cure is not possible; or
 - 7.1.9.3 Report the violation to the Secretary of the United States Department of Health and Human Services, if neither termination nor cure by Vendor is feasible.
- 7.1.10 HIPAA Business Associate Agreement.
Vendor and the Agency shall comply with the terms of the HIPAA Business Associate Agreement set forth in Attachment A. If Vendor materially breaches the terms of the HIPAA Business Associate Agreement, the Agency may require a cure or terminate this Contract, as provided herein.
- 7.1.11 Retention of HIPAA Records.
Vendor shall maintain for a minimum of six (6) years documentation of the protected health information disclosed by the Vendor, and all requests from individuals for access to records or amendment of records, pursuant to Attachment A, sections C.6. and C.7., of this Contract, in accordance with 45 CFR 164.530(j).
- 7.1.12 Marketing.
- 7.1.12.1 Definition. Marketing is any communication by Vendor about a product or service that encourages the individual (as defined in Attachment A, incorporated by reference and made a part hereof) to purchase or use the product or service, unless the communication is limited to:
 - 7.1.12.1.1 A description of health-related products or services (or payment for such products or services) that are provided by or included in a plan of benefits of the Agency or Vendor pursuant to this Contract, including communications regarding the entities participating in a health care provider network or health plan network, replacement of or enhancements to a health plan, and health-related products or services available only to an enrollee that add value to but are not part of the plan of benefits;
 - 7.1.12.1.2 Communications for treatment of the individual; or
 - 7.1.12.1.3 Communications for case management or care coordination for the individual or to direct or recommend alternative treatments, therapies, health care providers, or settings of care to the individual.
 - 7.1.12.2 Authorization.
 - 7.1.12.2.1 Vendor must obtain an authorization for any use or disclosure of protected health information (as defined in Attachment A) for marketing, except if the communication is in the form of: face to face communication made by Vendor to the individual, or a promotional gift of nominal value provided by Vendor.
 - 7.1.12.2.2 If the marketing involves direct or indirect remuneration to Vendor from a third party, the authorization shall state that such remuneration is involved.
- 7.1.13 Nonexclusion.
- 7.1.13.1 Vendor is not currently barred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal or State department or agency, or is currently barred or suspended from contracting with the State under Section 50-35(f), 50-35(g) or 50-65 of the Illinois Procurement Code, 30 ILCS 500/1-1 et seq.
 - 7.1.13.2 If at any time during the term of this Agreement, Vendor becomes barred, suspended, or excluded from participation in this transaction, Vendor shall, within thirty (30) days of becoming barred, suspended or excluded, provide to the Agency a written description of each offense causing the exclusion, the date(s) of the offense, the action(s) causing the offense(s), any penalty assessed or sentence imposed, and the date any penalty was paid or sentence complete.

Attachment A
HIPAA Business Associate Agreement
2012-62-011

A. Definitions.

1. "Designated Record Set" shall have the same meaning as the term "designated record set" in 45 CFR Section 164.501.
2. "Individual" shall have the same meaning as the term "individual" in 45 CFR Section 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.502(g).
3. "PHI" means Protected Health Information, which shall have the same meaning as the term "protected health information" in 45 CFR Section 160.103, limited to the information created or received by Business Associate from or on behalf of the Agency in connection with Business Associate's performance of the Services.
4. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 Subpart A and 45 CFR Part 164 subparts A and E.
5. "Required by law" shall have the same meaning as the term "required by law" in 45 CFR Section 164.103.
6. "Services" shall have the meaning set forth in this Contract, and, if not therein defined, shall mean the services described in this Contract to be performed by Business Associate for the Agency.
7. "Business Associate" shall mean Cognizant Technology Solutions U.S. Corporation.
8. All capitalized terms used in this Attachment shall have the meanings established for purposes of HIPAA or the HITECH Act, as applicable.
9. "Contract" shall mean this Business Associate Agreement.

B. Business Associate's Permitted Uses and Disclosures.

1. Except as limited by the Contract, Business Associate may use or disclose PHI to perform functions, activities, or services for, or on behalf of, the Agency as specified in the Contract, provided that such use or disclosure would not violate the Privacy Rule.
2. Business Associate may use PHI for the proper management and administration of Business Associate to carry out its legal responsibilities.
3. Business Associate may disclose PHI for the proper management and administration of Business Associate, provided that the disclosures are required by law, or Business Associate obtains reasonable assurances from the person to whom the PHI is disclosed that the PHI will remain confidential and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person. Business Associate shall require the person to whom the PHI was disclosed to notify Business Associate of any instances of which the person is aware in which the confidentiality of the PHI has been breached.
4. Except as otherwise limited by this Contract, Business Associate may use PHI to provide data aggregation services to the Agency as permitted by 45 CFR Section 164.504(e)(2)(i)(B).
5. Business Associate may use PHI to report violations of law to appropriate federal and state authorities, consistent with 45 CFR Section 164.502(j)(1).

C. Limitations on Business Associate's Uses and Disclosures. Business Associate shall:

1. Not use or further disclose PHI other than as permitted or required by the Contract or as required by law;
2. Use appropriate safeguards to prevent use or disclosure of PHI other than as provided for by this Contract;
 - i. PHI in paper media shall not be disclosed and must be deidentified, and information stripped of identifiers;
 - ii. PHI in electronic media shall be encrypted and secured;
 - iii. email transmissions containing PHI shall meet the standards for transmission security encrypted and secured pursuant to 45 CFR § 164.312(e) standards specifications for integrity controls and encryption.
3. Mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Contract;
4. Report to the Agency any use or disclosure of PHI not provided for by this Contract of which Business Associate becomes aware;
5. Ensure that any agents, including a subcontractor (approved by HFS), to whom Business Associate provides PHI received from the Agency or created or received by Business Associate on behalf of the Agency in connection with its performance of the Services, agree to the same restrictions and conditions at least as stringent as those that apply through this Attachment to Business Associate with respect to such information;
6. Provide access to PHI, if maintained by Business Associate in a Designated Record Set, to the Agency or to another individual whom the Agency names, in order to meet the requirements of 45 CFR Section 164.524, at the Agency's written request, and in the time and manner reasonably specified by the Agency;
7. Make available PHI, if maintained by Business Associate in a Designated Record Set, for amendment and to incorporate any amendments to PHI in such Designated Record Set that the Agency directs pursuant to 45 CFR Section 164.526 at the request of the Agency or an individual, and in a time and manner specified by the Agency;
8. Make Business Associate's internal practices, books, and records, including policies and procedures and PHI, relating to the use and disclosure of PHI received from the Agency or created or received by Business Associate on behalf of the Agency available to the Agency and to the Secretary of Health and Human Services for purposes of determining the Agency's compliance with the Privacy Rule. To the extent permitted by law, upon written request, Vendor shall provide the Agency with a copy of such internal policies or documentation that Vendor provides to the Secretary pursuant to this Section.

9. Document disclosures of PHI and information related to disclosures of PHI as would be required for the Agency to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR Section 164.528;
10. Provide to the Agency or to an individual, in a time and manner specified by the Agency, information collected in accordance with the terms of this Contract to permit the Agency to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR Section 164.528. In the event that Business Associate in connection with the Services uses or maintains an Electronic Health Record of PHI of or about an individual, Business Associate will make an accounting of disclosures of such PHI in accordance with Section 13405(c) of the HITECH Act, as of its compliance date;
11. Return or destroy all PHI received from the Agency or created or received by Business Associate on behalf of the Agency that Business Associate still maintains in any form, and to retain no copies of such PHI, upon termination of this Contract for any reason. If such return or destruction is not feasible, Business Associate shall provide the Agency with notice of such purposes that make return or destruction infeasible, and upon the parties' written agreement that return or destruction is infeasible, Business Associate shall extend the protections of the Contract to the PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI infeasible. This provision shall apply equally to PHI that is in the possession of Business Associate and to PHI that is in the possession of subcontractor or agents of Business Associate.

D. Agency Obligations. The Agency shall:

1. Provide Business Associate with the Agency's Notice of Privacy Practices and notify Business Associate of any changes to said Notice;
2. Notify Business Associate of any changes in or revocation of permission by an individual to use or disclose PHI, to the extent that such changes may affect Business Associate's permitted or required uses and disclosures of PHI;
3. Notify Business Associate of any restriction to the use or disclosure of PHI that the Agency had agreed to in accordance with 45 CFR Section 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI;
4. Not request that Business Associate use or disclose PHI in any manner that would not be permissible under the Privacy Rule, HIPAA, the HITECH Act or any applicable federal or state law or regulation if done by the Agency.

E. Breach Requirements.

1. Business Associate shall comply with Sections 164.308, 164.310, 164.312 and 164.316 of title 45, Code of Federal Regulations as of their respective compliance dates. The Business Associate's obligations include but are not limited to the following:
 - a. Implementing administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Health Information that the Business Associate creates, receives, maintains, or transmits on behalf of the Agency in connection with Business Associate's performance of the Services as required by HIPAA; and
 - b. Ensuring that any agent, including a subcontractor (approved by Agency), to whom the Business Associate provides such PHI agrees to implement reasonable and appropriate safeguards to protect such PHI; and
 - c. Reporting to the Agency any Security Incident affecting PHI of which it becomes aware. "Security Incident" shall not include any attempted but ineffective unauthorized accesses or uses of PHI, such as pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, and denial of service, as long as no such incident results in unauthorized access, use or disclosure of PHI.

F. Privacy Obligations.

To comply with the privacy obligations imposed by HIPAA, Business Associate agrees to:

1. To the extent practicable, mitigate any harmful effects that are known to the Business Associate of a use or disclosure of Protected Health Information or a Breach of Unsecured Protected Health Information in violation of this Attachment;
2. Use and disclose an Individual's Protected Health Information only if such use or disclosure is in compliance with each and every applicable requirement of 45 CFR Section 164.504.(e) and
3. Refrain from exchanging any Protected Health Information with any entity of which the Business Associate knows has a pattern of activity or practice that constitutes a material breach or violation of HIPAA;
4. To the extent possible, use or disclose to its subcontractors or agents, and request from the Agency, only a Limited Data Set of any PHI, and if a Limited Data Set is not possible, such use, disclosure or request shall be limited to the minimum necessary PHI to perform, or fulfill a specific function required, contemplated or permitted hereunder.

G. Breach Notification. In the event that the Business Associate discovers a Breach of Unsecured Protected Health Information, the Business Associate agrees to take the following measures within 10 calendar days after the Business Associate first becomes aware of the incident:

1. To notify the Agency of the Breach of Unsecured PHI involving the acquisition, access, use or disclosure of the Unsecured PHI. Such notice by the Business Associate shall be provided after the Business Associate first becomes aware of the Breach of Unsecured PHI, except where a law enforcement official determines that a notification would impede a criminal investigation or cause damage to national security. Said notice is attached.
2. For purposes of clarity of this provision, Business Associate must notify the Agency of any such Breach of Unsecured PHI within the above time frame even if Business Associate has not conclusively determined within that time that the incident constitutes a Breach of Unsecured PHI as defined by HIPAA.
3. The Business Associate is deemed to have become aware of the Breach of Unsecured PHI as of the first day on which such Breach of Unsecured PHI is known or reasonably should have been known to any person other than the individual committing the Breach of Unsecured PHI, that is an employee, officer or other agent of the Business Associate;
4. To include the names of the individuals whose Unsecured Protected Health Information has been or is reasonably believed to have been, the subject of a Breach of Unsecured PHI;
5. To complete and submit the Breach Notice form to the Agency (see Exhibit A); and
6. To provide to the Agency a sample of the notice that was used to inform individuals about the breach.

- H. Notification Duty. Business Associates shall provide notification to the individuals whose information was breached as a result of Business Associate's or Business Associate's agents' or subcontractors' breach of their respective obligations under this contract, unless the Agency agrees to assume such costs.
- I. Costs. If a Breach results from Business Associate's breach of its obligations under this contract, Business Associate agrees to pay directly or reimburse the Agency for the Agency's reasonable and direct out of pocket costs for the Agency to provide Breach notifications to affected individuals who are required by law to receive such notifications, unless Agency agrees to assume any costs. Business Associate's payment of costs shall, if determined, in its reasonable discretion by Agency, to be necessary, include credit monitoring services to individuals as a result as a result of such breach.
- J. Indemnification for Breach Notification. Subject to the terms, conditions and limitations set forth in this contract, Business Associate shall indemnify the Agency for any and all reasonable costs, fines, fees associated with any incident involving the acquisition, access, use or disclosure of Unsecured Protected Health Information in a manner not permitted under 45 C.F.R. parts D and E, which resulted from Business Associate's or Business Associate's agents' or subcontractors' breach of their respective obligations under this contract.
- K. Security Rule Compliance. Business Associate shall comply with the Security Rule's administrative, physical and technical safeguard requirements as set forth in 45 CFR Part 164 Sections 164.308, 164.310, 164.312, and 164.316. As part of compliance with the Security Rule, Business Associate shall develop and implement written security policies and procedures with respect to the PHI, including Electronic PHI it has in its possession and control.
- L. Business Associate shall ensure minimum necessary policies are adhered to by all individuals accessing the PHI, irrespective of the medium (ie. Paper, electronic, etc.) that the PHI is stored or maintained.
- M. By signing this Contract, the Business Associate agrees to comply with the requirements of HITECH applicable to Business Associate in its performance of the Services, including meeting the administrative, physical and technical safeguard requirements of the HIPAA Security Rule. (45 CFR Part 164 Sections 164.308, 164.310, 164.312, and 164.316.)
- N. Business Associate agrees that the Electronic PHI that it transmits will be encrypted and that it will adopt internal procedures for reporting breaches and mitigating potential damages associated with Breaches of Unsecured PHI and uses and disclosures in violation of this Attachment.
- P. Interpretation. Any ambiguity in this Contract shall be resolved in favor of a meaning that permits the Agency to comply with HIPAA, the HITECH Act and the Privacy Rule.
- Q. Third Party Beneficiary. Nothing contained in this Attachment is intended to confer upon any person (other than the parties hereto) any rights, benefits, or remedies of any kind or character whatsoever, whether in contract, statute, tort (such as negligence), or otherwise, and no person shall be deemed a third-party beneficiary under or by reason of this Attachment.

COGNIZANT TECHNOLOGY SOLUTIONS U.S. CORPORATION

Eugene Solomonov

EUGENE SOLOMONOV, CORPORATE COUNSEL

Business Associate Signature and Date

By signing, the authorized representative of Business Associate agrees to abide by the terms of this Business Associate Agreement.

**NOTIFICATION TO THE DEPARTMENT (HFS) OF BREACH OF
UNSECURED PROTECTED HEALTH INFORMATION**

(EXHIBIT A)

This form applies to reporting all breaches of unsecured protected health information (phi) including but not limited to: electronic phi, phi in paper media, phi on portable electronic devices (laptops, tablets, smart phones, thumb drives, hard drives.)

The Business Associate must complete this form to notify HFS pursuant to the Business Associate Agreement, of any Breach of Unsecured Protected Health Information. In accordance with Business Associate Agreement, notice must occur immediately or within 10 calendar days after the breach being discovered.

Notice shall be provided to the following Contacts at HFS:

(1) Contract Administrator _____, in compliance with the Notice Requirements of the Underlying Agreement, at:
Illinois Department of Healthcare and Family Services
Attn:

(2) HFS Privacy Officer at:

Illinois Department of Healthcare and Family Services
Attn: Privacy Officer
201 South Grand Avenue East
Springfield, Illinois 62763

Information to be Submitted by Business Associate:

Contract Information:
Contract Number:
Contract Title:
Contact Person for this Incident:
Contact Person's Title:
Contact's Address:
Contact's E-mail:
Contact's Telephone Number:

NOTIFICATION:

Business Associate (BA) hereby notifies the Department that there has been a Breach of Unsecured (unencrypted) Protected Health Information that BA has used or has had access to under the terms of the BA Agreement, as described in detail below:

Date of Breach / Date of Discovery of Breach:
Detailed Description of the Breach:
Types of Unsecured Protected Health Information involved in the Breach (such as full name, SSN, Date of Birth, Address, Account Number, Disability Code, etc – List All).
What steps are being taken to investigate the breach, mitigate losses, and protect against any further breaches?
Number of Individuals Impacted If over 500, identify whether individuals live in multiple states?

Submitted by:

Signature: _____

Date: _____

Printed Name and Title: _____

Taxpayer Identification Number

I certify that:

1. The number shown on this form is my correct taxpayer identification number and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).
 - If you are an individual, enter your name and SSN as it appears on your Social Security Card.
 - If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
 - If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the d/b/a on the business name line and enter the owner's SSN or EIN.
 - If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or GP277).
 - For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: Cognizant Technology Solutions US Corporation

Business Name: Cognizant Technology Solutions US Corporation

Taxpayer Identification Number:

Employer Identification Number XXXXXXXXXX

Legal Status (check one):

- | | |
|--|---|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental |
| <input type="checkbox"/> Sole Proprietor | <input type="checkbox"/> Nonresident alien |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or trust |
| <input type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy / Funeral Home / Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing medical and/or health care services | <input type="checkbox"/> Limited Liability Company (select applicable tax classification) |
| <input checked="" type="checkbox"/> Corporation NOT providing or billing medical and/or health care services | <input type="checkbox"/> D = disregarded entity |
| | <input type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

Signature: _____



Date: 9th May 2012

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

STEP 7 POTENTIAL CONFLICTS OF INTEREST RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Sarah Sheehan

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. N/A

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

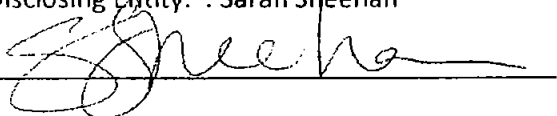
STEP 9

SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offer or pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: : Sarah Sheehan

Signature: 

Date: March 4, 2013

Printed Name: Sarah Sheehan

Title: Principal

Phone Number: 312 755 9000

Email Address: Sheehan@il-gov.com

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

Financial Disclosures and Conflicts of Interest forms ("forms") must be accurately completed and submitted by the vendor, any parent entity(ies) and any subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading, unless otherwise provided. A bid, offer, or proposal that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid, offer, or proposal or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the previously submitted form is no longer accurate, disclosing entities must provide an updated form.

Separate forms are required for the vendor, any parent entity(ies) and any subcontractors.

Subcontractor forms must be provided with a copy of the subcontract, if required, within 15 days after execution of the State contract or after execution of the subcontract, whichever is later, for all subcontracts with an annual value of more than \$50,000.

This disclosure is submitted for:

- ☐ Vendor
- ☐ Vendor's Parent Entity(ies) (100% ownership)
- ☒ Subcontractor(s) >\$50,000
- ☐ Subcontractor's Parent Entity(ies) > \$50,000

Project Name and Illinois Procurement Bulletin Number	MMIS Project Upgrade Services, procurement # 2012-62-011
Vendor Name	Cognizant Technology Solutions U.S. Corporation
Doing Business As (DBA)	N/A
Parent Entity	Cognizant Technology Solutions Corporation
Subcontractor	SLG Innovation, Inc.
Instrument of Ownership or Beneficial Interest	Corporate Stock (C-Corporation, S-Corporation, Professional Corporation, Service Corporation) <input type="checkbox"/> If you selected Other, please describe: N/A

STEP 1

SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

- 1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 1.B. ☐ Attach a copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 200 Shareholders

- 2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

- 3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

- 4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

- ☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

- ☐ Skip to Step 3.

STEP 2

DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)

(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds \$106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	Address	Percentage of Ownership	\$ Value of Ownership
Ed Burns		%	\$
Tracey Burns		%	\$

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds \$106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	Address	% of Distributive Income	\$ Value of Distributive Income
N/A	N/A	N/A	N/A

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than \$106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than \$106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	Address
N/A	N/A

STEP 3

DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist or other agent required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

Name	Address	Relationship to Disclosing Entity
N/A	N/A	N/A

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain an Agency/University contract: N/A

STEP 4

PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: Ed Burns and Tracey Burns

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☒ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% (\$106,447.20) of the salary of the Governor? ☐ Yes ☒ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☒ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☒ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor (\$177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% (\$354,824.00) in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor? ☐ Yes ☐ No

STEP 5

POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: Ed Burns and Tracey Burns

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☒ No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☒ No

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☒ No
4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☒ No
5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that? ☐ Yes ☒ No
6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☒ No
7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☒ No
8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☒ No
9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☒ No
10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☒ No

STEP 6

EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7

POTENTIAL CONFLICTS OF INTEREST RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Ed Burns and Tracey Burns

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

STEP 8

DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, or other ongoing procurement relationships with units of State of Illinois government? ☒ Yes ☐ No.

If "Yes", please specify below. Attach an additional page in the same format as provided below, if desired.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
Illinois Department of Insurance	Illinois Health Insurance Exchange	Proposal	\$12,000,000	# 12-71894
Illinois Department Central Management	Application Portfolio Rationalization Master Contract	Awarded, Pending Contract	\$691,152	22028068

Services				
----------	--	--	--	--

Please explain the procurement relationship: We Are a MBE subcontractor on the Illinois HIX and Application Portfolio Rationalization bids to the Prime Vendor Cognizant Technology Solutions Corporation

STEP 9

SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: SLG Innovation, Inc.

Signature: _____

Date: March 14 , 2013

Printed Name: Ed Burns

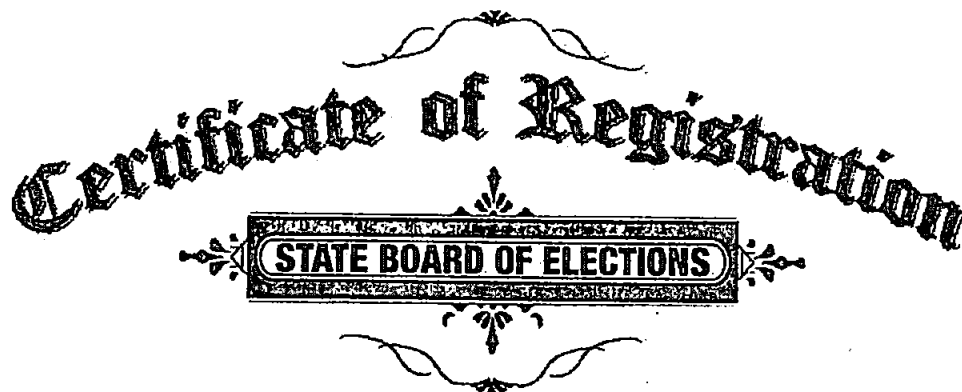
Title: President

Phone Number: 630-803-2009

Email Address: edburns@slginnovation.com



Cognizant's Certificate of Registration:



Registration No. 17245

**COGNIZANT TECHNOLOGY SOLUTIONS US
C**

500 Frank W
Burr Boulevard
Teaneck NJ 07666

Information for this business last updated on:
Friday, April 20, 2012

Certificate produced on Friday, April 20, 2012 at 5:51 AM



Important: Solicitation file attachments are now located at the bottom of this page.

Solicitation Overview



Help

Identification

Reference Number:	22023351
Request ID:	12-65482
Agency Reference Number:	2012-62-011
Agency:	HFS - Healthcare and Family Services
Title:	HFS MMIS Upgrade Project Expert Services
Date First Offered	03/30/2012
Small Business Set-Aside:	No
Does this solicitation contain a BEP or DBE requirement?:	Yes

Overview

The Illinois Department of Healthcare and Family Services is seeking a professional staffing vendor to provide expertise to assist with the MMIS Upgrade Project which includes the Pharmacy Benefit Management System (PBMS) and Core MMIS.

The MMIS Upgrade Project Expert Services RFP is attached in both Microsoft Word and PDF formats.

Key Information

Solicitation Type:	Request for Proposal
Category:	General Services
Status:	Closed
Published:	03/30/2012
Due Date:	06/07/2012
Due Time:	11:00 AM Local Time

Solicitation Contact

Name:	Beau Wilson
Address:	2200 Churchill Road, Springfield, IL 62702
Phone:	217-558-4021
Fax:	217-557-9844
E-Mail Address:	beau.wilson@illinois.gov

Class Code

Class Codes:	E110 EDP; Consulting Services
--------------	-------------------------------

Attachments

To download file(s), click on filename(s) located below. If not logged into the system, a login prompt will display. If you are not registered with the site, click on Registration located at the top of the Illinois Procurement Bulletin Homepage to register.

Attachment Overview:

File Attachments:

- [RFP.docx \(224868 Bytes\)](#)
- [RFP.pdf \(276518 Bytes\)](#)

Notice



Help

Identification

Reference Number: 22023351
 Request ID: 12-65482
 Date First Offered: 03/30/2012
 Title: HFS MMIS Upgrade Project Expert Services

Agency Reference Number: 2012-62-011
 Agency: HFS - Healthcare and Family Services
 Purchasing Agency: HFS - Healthcare and Family Services
 Purchasing Agency SPO: Brett M Cox

Status: Closed

Overview

Description and Specifications:

The Illinois Department of Healthcare and Family Services is awarding a contract to Cognizant Technology Solutions to provide experienced staff with professional expertise to assist with the MMIS Upgrade Project.

Key Information

Notice Type: Contract Award Notice

Published: 11/29/2012
 Notice Expiration Date: 12/13/2012
 Professional & Artistic: No
 Small Business Set-Aside: No
 Does this solicitation contain a BEP or DBE requirement?: Yes
 Relevant Category: General Services
 Total Amount of Award: \$71,423,107.84 (Total Dollar Value Only/Includes Any Renewal Options)
 Estimated/Actual Value Description: initial 6 year term estimated cost: \$54,353,347.84
 optional 4 year renewal term estimated cost: \$17,069,760.00

Length of Initial Term: 72
 Contract Begin Date: 01/01/2013
 Contract End Date: 12/31/2018
 Renewal Terms: 48 months

Bidder(s)

Number of Responding Bidders: 3
 Number of Unsuccessful Responsive Bidders: 2
 Total Number Awarded: 1

Listing of All Bidders/Offerors Considered But Not Selected:

LRS Consulting Services

RTT & Associates

Source Selection: RFP

Vendor(s) Selected for Award

Vendor Name	Amount of Award	BEP Goal %	DBE Goal %
Cognizant Technology Solutions	\$71,423,107.84	35%	0%

Notice Contact

Name: Karen Mankowski
 Street Address: 2200 Churchill Road

City: Springfield
State: IL
Zip Code: 62702
Phone: 217-558-8268
Fax Number: 217-557-9844
EMail Address: karen.mankowski@illinois.gov

Class Code

Class Codes: E110 EDP; Consulting Services

Attachments

To download file(s), click on filename(s) located below. Not all Notices will have files to download.

File Attachments:

Morningstar[®] Document ResearchSM

FORM 10-K

COGNIZANT TECHNOLOGY SOLUTIONS CORP - CTSH

Filed: February 26, 2013 (period: December 31, 2012)

Annual report with a comprehensive overview of the company

The information contained herein may not be copied, adapted or distributed and is not warranted to be accurate, complete or timely. The user assumes all risks for any damages or losses arising from any use of this information, except to the extent such damages or losses cannot be limited or excluded by applicable law. Past financial performance is no guarantee of future results.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 0-24429

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)Glenpointe Centre West, 500 Frank W. Burr Blvd.,
Teaneck, New Jersey

(Address of Principal Offices)

(I.R.S. Employer
Identification No.)

07666

(Zip Code)

Registrant's telephone number, including area code: (201) 801-0233

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
Preferred Share Purchase Rights
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ NoIndicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ NoIndicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ NoIndicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ NoIndicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

(Do not check if a smaller reporting company)

Smaller reporting company

☐Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the registrant's voting shares of common stock held by non-affiliates of the registrant on June 29, 2012, based on \$60.00 per share, the last reported sale price on the NASDAQ Global Select Market of the NASDAQ Stock Market LLC on that date, was \$17,868,732,060

The number of shares of Class A common stock, \$0.01 par value, of the registrant outstanding as of February 19, 2013 was 301,781,902 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Annual Report on Form 10-K: Portions of the registrant's definitive Proxy Statement for its 2013 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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PART I

Item 1. Business

Overview

We are a leading provider of information technology (IT), consulting and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Our clients engage us to help them build more efficient operations, provide solutions to critical business and technology problems, and to help them drive technology-based innovation and growth. Our core competencies include: Business, Process, Operations and IT Consulting, Application Development and Systems Integration, Enterprise Information Management, or EIM, Application Testing, Application Maintenance, IT Infrastructure Services, or IT IS, and Business and Knowledge Process Outsourcing, or BPO and KPO. We tailor our services to specific industries and utilize an integrated global delivery model. This seamless global sourcing model combines client service teams based on-site at the client locations with delivery teams located at dedicated near-shore and offshore global delivery centers that are located primarily in India, China, the United States, Canada, Argentina, Brazil, Hungary, France and the Philippines.

Industry Background

In today's complex business environment, many companies face intense competitive pressure and rapidly changing market dynamics, driven by such factors as changes in the economy, government regulations, globalization, virtualization and other technology innovations. At the same time, companies must evaluate the effect of emerging technologies such as social networks, mobile devices, advanced analytics and cloud computing, or SMAC, on their business operations. These technologies represent a new IT stack that will profoundly change the way companies relate to their customers, engage with employees, and bring innovative products and services to market. In response to these challenges, many companies are focused on improving efficiencies, enhancing effectiveness and driving innovation through technology to favorably impact both the bottom-line and the top-line. Companies need to build agility into both the cost and revenue sides of their models. In this context, they increasingly view the global sourcing model as a key to their efforts to operate more cost-effectively and productively. Separately, to confront secular industry shifts, changing demographics and new technologies, companies are looking to innovate and build new and different capabilities with emerging technologies to ensure their business models stay relevant.

Companies increasingly seek to meet the dual mandate of more efficient and effective operations, including cost reduction, along with technology-based innovation and business transformation in a comprehensive, integrated manner. Achieving these objectives presents major challenges and requires companies to have highly skilled professionals trained in many diverse and new technologies and specialized industries. Increasingly, companies are relying on service providers, like us, operating with global delivery models, to help them meet these ever-changing objectives.

Global demand for high quality, lower cost technology services from outside providers has created a significant opportunity for IT service providers that can successfully leverage the benefits of and address the challenges in using a global talent pool. The effective use of personnel from across the globe can offer a variety of benefits, including lower costs, faster delivery of new IT solutions and innovations in industry-specific solutions, processes and technologies. Certain countries, particularly India, the Philippines, Singapore and China, have large talent pools of highly qualified technical professionals who can provide high quality IT and business and knowledge process outsourcing services at a lower cost. India is a leader in IT services and is regarded as having one of the largest and highest quality pools of talent in the world. Historically, IT service providers have used offshore labor pools primarily to supplement the internal staffing needs of customers. However, evolving customer demands have led to the increasing acceptance and use of offshore resources for higher value-added services. These services include application design, development, testing and systems integration, technology consulting and infrastructure management.

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The Cognizant Approach

Our solutions are built on a global network of delivery centers, deep domain expertise and a robust portfolio of services.

Global Delivery Model. Our geographic reach extends across the globe, with more than 50 delivery centers in 14 countries. We have a four-tiered global architecture for service delivery and operations, consisting of employees co-located at clients' sites, local or in-country delivery centers, regional delivery centers and global delivery centers. We are continuously expanding global delivery capacity in our centers in India, China and the Philippines. We have added more regional delivery in Europe (for example, in Hungary) and in-country delivery centers in the United States and Europe (for example, in Minot, North Dakota, Des Moines, Iowa and Grenoble, France) and have increased our presence throughout the world. We also use our proprietary Cognizant 2.0 knowledge-sharing and project-management platform to unite all of our operations around the globe, access capabilities across the company, and streamline workflow. Our extensive facilities, technology and communications infrastructure facilitate the seamless integration of our global workforces.

Domain Expertise. Our business is organized and managed primarily around our four industry-oriented business segments:

- Financial Services;
- Healthcare;
- Manufacturing, Retail and Logistics; and
- Other, which includes Communications, Information, Media and Entertainment, and High Technology.

This industry focus has been central to our revenue growth and high client satisfaction. As the IT services industry continues to mature, clients are looking for service providers who understand their businesses, industry initiatives, customers, markets and cultures, and can create solutions tailored to meet their individual business needs. To strengthen our industry practices, we hire professionals who are deeply experienced in the industries we serve, thus establishing a broad base of business analysts and consultants. We continually invest in industry training for our staff and build out industry-specific services and solutions. This approach is central to our high levels of on-time delivery and client satisfaction, as we understand the full context of our clients' challenges and have deep experience in addressing them.

Portfolio of Services. We offer a broad range of services designed to help clients address business challenges and enhance their ability to pursue growth opportunities. Our key service areas, Consulting and Technology Services and Outsourcing Services, are delivered to our clients across our four business segments in a standardized, high-quality manner through our global delivery model. We continually invest in the expansion of our service portfolio to anticipate and meet clients' evolving needs. In recent years, in addition to our traditional offerings, we have begun to provide services that enable clients to harness emerging SMAC technologies. Our current service areas include:

- *Consulting and Technology Services*
 - Business, Process, Operations and IT Consulting
 - Application Development and Systems Integration
 - Application Testing
- *Outsourcing Services*
 - Application Maintenance
 - IT Infrastructure Services
 - Business and Knowledge Process Outsourcing

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Business Segments

We are organized around our four industry-oriented business segments, and we report the operations of our business as follows:

<u>Financial Services</u>	<u>Healthcare</u>	<u>Manufacturing/Retail/Logistics</u>	<u>Other</u>
Banking	Healthcare	Manufacturing and Logistics	Communications
Insurance	Life Sciences	Retail, Travel and Hospitality	Information, Media and Entertainment
		Consumer Goods	High Technology

Financial Services

Our Financial Services business segment serves leading financial institutions throughout the world. Our clients include banks, investment firms and insurance companies. In 2012, this segment represented approximately 41.3% of our total revenues. Revenues from our Financial Services business segment were \$3,035.4 million, \$2,518.4 million, and \$1,944.5 million for the years ended December 31, 2012, 2011, and 2010, respectively. This business segment provides services to our customers operating in the following industries:

- **Banking.** We focus on serving traditional retail and commercial banks, diversified financial enterprises, broker-dealers, asset management firms, depositories, clearing organizations and exchanges. Our clients engage us to help make their operations as effective, productive and cost-efficient as possible, and to support new capabilities. We assist these clients in such areas as: Retail Banking, Wholesale Banking, Consumer Lending, Cards and Payments, Risk Management, Investment Banking and Brokerage, Asset and Wealth Management, and Securities Services.

The demand for our services in the banking sector is being driven by several significant changes in the industry. In response to the global economic crisis, central banks and government bodies have adopted policies designed to maintain low interest rates, raise capital requirements, impose new regulations, and institute risk-mitigation measures, such as restricting proprietary trading. Such actions have the effect of curtailing some revenue sources and increasing compliance costs for most financial institutions. In addition, financial institutions must consider adopting new technologies, such as SMAC, which will impact the way they interface with customers and employees, and how they manage their operations. We help our customers adapt to these changes by providing technology-based industry-specific solutions. In addition to Application Development and Maintenance, the services increasingly in demand in this sector include EIM, Testing, Customer Relationship Management, or CRM, Enterprise Resource Planning, or ERP, BPO, IT IS, and Business and Technology Consulting.

- **Insurance.** We serve the needs of global property and casualty insurers, life insurers, reinsurance firms and insurance brokers who turn to us for assistance in improving the efficiency and effectiveness of their operations and in achieving business transformation. We focus on such aspects of our clients' operations as: Business Acquisition, Policy Administration, Claims Processing, Management Reporting, Regulatory Compliance and Reinsurance.

Among the factors driving the need for our services in the insurance industry is a desire to improve the sales and marketing process, both by deepening direct retail customer relationships and strengthening interactions with networks of independent and captive insurance agents, often through the use of social and mobile technologies. Insurers also seek to enhance their profitability by differentiating their products and services, resulting in a need for specialized underwriting models and systems. Additionally, many insurers seek to improve business effectiveness by reducing expense ratios and exiting non-core lines of business and operations. Our services which are most in demand in this sector include: Application Development and Integration, Consulting, BPO/KPO, IT IS, EIM, and SMAC services.

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Healthcare

Our Healthcare segment serves many leading healthcare and life sciences companies. In 2012, our Healthcare business segment represented approximately 26.3% of our total revenues. Revenues from our Healthcare business segment were \$1,934.9 million, \$1,622.2 million, and \$1,177.1 million for the years ended December 31, 2012, 2011, and 2010, respectively. This business segment provides services to our clients operating in the following industries:

- *Healthcare.* We work with many leading global healthcare organizations, including healthcare payers, providers and pharmacy benefit managers. The healthcare industry today faces the dual challenge of improving the quality of care while lowering the cost of care and making healthcare affordable to a larger population. A key factor driving this transformation has been the Affordable Care Act.

Our Healthcare Practice focuses on providing a broad range of services and solutions to the industry to address regulatory requirements and emerging industry trends such as: Regulatory Compliance, Integrated Health Management (including establishing health information exchanges), EIM, Claims Investigative Services (aimed at preventing fraud and abuse and strengthening administrative processes), and Operational Improvement (in areas such as claims processing, enrollment, membership and billing). We also partner with our clients to enable their systems and processes to deal with the retail orientation of health care, such as the support of individual mandates and the adoption of mobile and analytics solutions to improve access to health information and decision making by end consumers.

- *Life Sciences.* We partner with leading pharmaceutical, biotech, and medical device companies, as well as providers of generics, animal health and consumer health products to assist them in transforming their business by helping them be more efficient and effective from an IT and business operations perspective while helping them drive innovation and virtualization in growing their business.

Among the industry forces generating demand for our services are: financial pressures caused by payer and government pricing pressures, patent expiry and competition from generics; the drive to expand into new geographic markets; the need for more targeted or personalized therapies leading to R&D innovation; continued diversification of product portfolios and the related high cost of product development; and a dynamic regulatory environment with greater emphasis on product safety, ethics and compliance, transparency of pricing and promotional activity.

Our Life Sciences solutions help transform many of the business processes in the life sciences value chain (Research, Clinical Development, Manufacturing and Supply Chain, Sales and Marketing) as well as regulatory and administrative functions and general IT. Among our services most often in demand are Consulting, EIM, Customer Solutions, BPO/KPO, IT IS, Application Maintenance, Application Development and Systems Integration, Testing and SMAC services.

Manufacturing/Retail/Logistics

Our Manufacturing, Retail and Logistics segment provides business consulting and technology services for global leaders in a range of sub-sectors, including industrial, automotive, process logistics and retailing. In 2012, this segment represented approximately 20.4% of our total revenues. Revenues from our Manufacturing/Retail/Logistics business segment were \$1,498.7 million, \$1,197.5 million, and \$849.6 million for the years ended December 31, 2012, 2011, and 2010, respectively. This business segment services customers in the following industry groups:

- *Manufacturing and Logistics.* Clients in this sector include manufacturers of automobiles and industrial products, and processors of natural resources, chemicals and raw materials. In logistics, our clients include rail, truck, marine and other transportation and distribution companies. We also serve many leading energy utilities, as well as oil and gas producers. Our clients seek our help in implementing

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business-relevant changes that will make them more productive, competitive and cost-effective. To that end, we help organizations improve operational efficiencies, enhance responsiveness, and collaborate with trading partners to better serve their markets and end customers. We leverage a comprehensive understanding of the business and technology drivers of the industry. Some of our Manufacturing and Logistics solutions for Industrial and Automotive clients include: Warranty Management, Dealer System Integration, Supply Chain Management, Sales and Operations Planning, and Mobility. For transportation and logistics clients, our service areas include Warehouse and Yard Management, Transportation Asset Management, Transportation Network Design, Global Trade Management and Analytics.

Industry trends that influence the demand for our services in this sector include the increasing globalization of sourcing and the desire of clients to further penetrate emerging markets, leading to longer and more complex supply chains. In the power generation sector, industry trends include the continued drive toward energy conservation, including "smart meter" installations, the need for better grid reliability and security, regulatory changes and the need to relieve cost pressures through better asset performance and web-based customer care systems. Clients also wish to optimize their supply chains to better manage inventory, support growing eCommerce operations and improve customer-supplier collaboration. They seek to apply intelligent systems to manufacturing and logistics operations, enable mobile platforms to support field sales and use data analytics to make better informed decisions. These trends are driving demand for offerings such as Enterprise Application Services, or EAS, EIM, Consulting and SMAC technologies.

- *Retail, Travel and Hospitality.* We serve a wide spectrum of retailers and distributors, including supermarkets, specialty premium retailers, department stores and large mass-merchandise discounters, who seek our assistance in becoming more efficient and cost-effective and in helping to drive business transformation. Current trends affecting demand in the retail industry include a need for greater cost-efficiency to combat the industry's traditionally narrow profit margins, changes in supply chain management to facilitate direct store delivery, the ability to accommodate multi-channel (in-store and on-line) models, and the impact of SMAC technologies on customer and employee interaction.

Services in high demand in the retail sector include Consulting, eCommerce, EAS, Systems Integration, Testing, BPO/KPO and EIM. We also serve the entire travel and hospitality industry including airlines, hotels and restaurants, as well as online and retail travel, global distribution systems and intermediaries and real estate companies, providing solutions such as CRM, EIM and BPO/KPO.

- *Consumer Goods.* We work with many of the world's premier consumer goods manufacturers, creating innovative solutions and strategies that help them build and sustain strong brands while enhancing their price-competitiveness, category leadership and consumer loyalty. Principal segments served include consumer durables, food and beverage, footwear and apparel, and home and personal care products. Our expertise in these areas spans a wide range, from demand-driven supply chains, to revenue-creating trade promotion management systems, to analytics systems and mobility solutions that anticipate and serve ever-changing customer needs.

The demand for our services in this sector is being propelled by such factors as the need of consumer goods companies to accelerate product innovation to remain competitive and deliver top-line growth, the continuing drive to optimize global sourcing and supply chain management, the impact of SMAC technologies on consumer interaction, marketing and sales processes, the use of data analytics to increase the effectiveness of product development and marketing, as well as ongoing pressures to curtail IT costs. In response to these needs, we provide solutions including Application Development and Systems Integration, Consulting, CRM, EIM, Testing, BPO, IT IS and SMAC services.

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Other

The Other business segment includes the Communications, Information, Media and Entertainment, and High Technology operating segments. In 2012, our Other business segment represented approximately 12.0% of our total revenues. Revenues from our Other business segment were \$877.5 million, \$783.1 million, and \$621.2 million for the years ended December 31, 2012, 2011, and 2010, respectively. The Other business segment is an aggregation of operating segments each of which, individually, represents less than 10.0% of consolidated revenues and segment operating profit. Descriptions of the key operating segments included in the Other business segment are as follows:

- **Communications.** Our communications industry practice serves some of the world's leading communications service (cable, wireless and wireline) providers, equipment vendors, and software vendors. We help our clients address the important changes in the communications industry, such as: transition to new network technologies; designing, developing, testing and introducing new products and channels; improving customer service and increasing customer satisfaction; transforming Business Support Systems (BSSs) and Operations Support Systems (OSSs); transitioning to agile development methodologies; and enabling applications for cloud deployment. Customer Solutions, Mobility, IT IS, Testing, ERP Implementation, EIM, and Cloud services have been in particular demand.
- **Information, Media and Entertainment.** We work with some of the world's largest media and entertainment companies, including information service providers, publishers, broadcasters, and movie, music and video game companies. The growth of digital platforms is causing significant change to these industries and we are working with clients to help meet these challenges and help transform their businesses. Additional trends affecting the industry include a decline of traditional print publishing, the need for digital asset management and the impact of SMAC technologies on the consumption of entertainment content.

We provide services in critical areas such as the Digital Content Supply Chain and Media Asset Management. Some of our other services include: Business Solutions (such as Advertising Management, Online Media, and e-Business); Digital Distribution, Workflow Automation; Intellectual Property Management, Anti-Piracy Initiatives; and Operational Systems (Advertising Sales, Studio Management, Billing and Payments, Content Management and Delivery).

- **High Technology.** We serve some of the world's leading independent software vendors, or ISVs, technology equipment manufacturers, and online service providers. We assist the ISVs with their transitions to new business models (such as Software-as-a-Service, or SaaS models) and facilitate their license management and sales processes. We help the high-technology manufacturers take on complex, transformational business process and product engineering initiatives. The technology sector is largely driven by product development. This creates strong demand for Analytical, Engineering, Testing, Go to Market strategies, and Content Management services. Other in-demand services include CRM, Product Technical Support, Supply Chain Management and the application of SMAC technologies to the customer experience, as well as Application Development, Systems Integration and Application Maintenance.

Our Solutions and Services

Across each of our business segments, we provide a broad and expanding range of consulting, information technology and outsourcing services, including:

Consulting and Technology Services

- **IT Strategy and Business Consulting.** Our global consulting team, Cognizant Business Consulting, or CBC, helps clients re-imagine and transform their businesses to gain competitive advantage. With these new operating models, the value chain is being disaggregated to drive speed to market and agility.

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CBC is built on a foundation of deep thought leadership and actionable strategies. CBC works with clients to improve business performance and operational productivity in order to exceed business goals. We also provide assistance with Strategy Consulting, Business and Operations Consulting, IT Strategy & Change Management, and Program Management Consulting.

Key factors driving the demand for CBC's services are the following:

- The need to run the business better while increasing operational flexibility and reducing time to market;
- Optimizing big data and predictive analytics to gain competitive insight;
- Large business transformations, impacting business and IT operating models;
- Increased demands to collaborate and compete in the market for customers, capabilities and talent;
- Desire to remove roadblocks in the Business/IT relationship – to increase the return on technology investments, both directly and through positioning IT as a source of digital business innovation;
- Readiness to embrace virtualization capabilities, including greater infrastructure outsourcing and cloud solutions, with a focus on identifying and managing risk and cost; and
- Ongoing regulatory shifts, which require enhanced risk management and compliance frameworks, as well as greater organizational resilience.

In this environment, the services currently provided by CBC include:

- IT strategy consulting to define new IT target operating models, new delivery models and to optimize IT to business alignment, sourcing strategies and IT costs;
- Program management consulting, including post-acquisition integration, business and IT integration, business transformation, and large scale business transformation;
- Operations improvement consulting for business process management, operations strategy, global sourcing and supply chain management, and change management;
- Strategy consulting with respect to re-imagining new business and operating models, market growth, mergers and acquisitions, product innovation and sustainability initiatives; and
- Business consulting related to finance, risk advisory, human resources, marketing and analytics functions.

CBC also is expanding new services and capabilities in areas such as BPO, Supply Chain Management, Enterprise Analytics, EAS, and consulting related to the management of core assets and intellectual property, or IP.

Application Development and Systems Integration. We offer a full range of Application Design, Application Development and Systems Integration services, which enable customers to focus on and invest in their core business activities and in growth-producing innovation, while ensuring that their IT functions operate in the most efficient, responsive and cost-effective manner. We have particular depth of skills in implementing large, complex, business-critical IT development and integration programs.

Demand for our Application Development and Systems Integration services is being driven by the growing need of customers to access outside capabilities to respond to the impact of changes in markets, regulation, competition and SMAC technologies on their businesses.

As part of our Application Development services, we define customer requirements, write specifications and design, develop, test and integrate software across multiple platforms including Internet technologies. We modify and test applications to enable systems to function in new operating

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environments. In addition, these services include ERP and CRM implementation services. We follow one of two alternative approaches to application development and systems integration:

- full life-cycle application development, in which we assume start-to-finish responsibility for analysis, design, implementation, testing and integration of systems; or
- cooperative development, in which our employees work with a customer's in-house IT personnel to jointly analyze, design, implement, test and integrate new systems.

In both of these approaches, our on-site team members work closely and collaboratively with our clients. Detailed design, implementation and testing are generally performed at dedicated near-shore and offshore development and delivery centers. In addition, we maintain an on-site presence at each customer location in order to address evolving client needs and resulting changes to the project.

A key part of our application development and systems integration offering is a suite of services to help organizations build and integrate business applications with the rest of their operations. Using this suite of services, we leverage our skills in business application development and enterprise application integration to build sophisticated business applications and to integrate these new applications and websites with client server and legacy systems. We build and deploy robust, scalable and extensible architectures for use in a wide range of industries. We maintain competency centers specializing in various areas such as: Microsoft solutions; IBM, SAP, Oracle and Java applications; and Cloud Computing and Mobile solutions. These competency centers enable us to provide application development and integration services to a broad spectrum of clients.

Our re-engineering service offerings assist customers migrating from systems based on legacy computing environments to newer standards-based distribution architectures, often in response to the more stringent demands of business. Our re-engineering tools automate many of the processes required to implement advanced technology platforms. We believe that this automation substantially reduces the time and cost to perform re-engineering services. These tools also enable us to perform source code analysis and to re-design target databases and convert certain programming languages. If necessary, our programmers also help clients re-design and convert user interfaces.

- *Enterprise Information Management.* Our EIM practice focuses on helping clients harness the vast amounts of data available on their operations, customers and markets, and to convert that data into information and insights that are valuable to their businesses and can be used to drive management decisions. We help clients identify the types of data available both within their organizations and from outside sources, including social media, and to bring that data together in a meaningful "data to foresight" continuum. Among the trends driving this business are: the desire of companies to better understand consumer demands and market opportunities in order to create new products and services, the explosion of differently structured types of data from newly crafted business processes, the need to manage reporting requirements in regulated industries such as healthcare and financial services, and the pressures to manage operations more efficiently and cost-effectively through the use of analytical tools. Among the services we provide in the EIM area are the following:
 - Strategic, advisory and management consulting services across Information Management, Business Intelligence & Analytics;
 - Enterprise Data Management, including the creation of data warehouses, data marts, operational stores, enterprise master data management platforms, enterprise metadata platforms as well as enterprise data governance;
 - Descriptive Analytics/ Business Intelligence that involves the strategy, design, build and management of information assets that drive day to day decision making;
 - Strategic Corporate Performance Management, enabling clients to create executive dashboards or scorecards to better manage operations;

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- Packaged Analytics designed to provide solutions to specific business problems leveraging technologies such as Mobile and Cloud; and
- Big Data to assist clients in managing and deriving actionable insights from the explosion in the volume, variety, velocity and complexity of data.
- *Application Testing.* Our Application Testing practice offers a comprehensive suite of services in testing, consulting and engineering. Our Quality Assurance, or QA, transformation services help clients develop deep, agile QA capabilities that create or extend their competitive advantage. QA is driven by six strategic themes: integrated automation, user advocacy, IP-based intelligent platform, a factory model, end-to-end quality focus, and an on-demand infrastructure model. Our business-aligned services in the areas of system and integration testing, package testing, user acceptance, automation, performance testing and test data management address our clients' critical quality needs. Consulting and infrastructure solutions in quality management, test tools and test infrastructure enable our clients to capitalize on emerging opportunities. Factors driving the demand for our testing services include the adoption of SMAC technologies, the need for testing of new regulatory compliance processes, and the desire of clients for more cost-effective and nimble "on-demand" testing. Accordingly, among the functions we provide are: testing related to integration of SAP, Seibel and other systems, IT process and quality consulting, testing of customized mobile and cloud-based applications, and Testing as a Service. We focus our Managed Test Centers on specific domains (e.g., specific industries and software solutions), ensuring we tailor our testing solutions to the particular needs of our clients. We help our clients achieve significant reduction in time to market as well as cost of quality, and realize significant improvements in the maturity of their quality processes.
- *Social, Mobile, Analytics and Cloud-based Services.* We are aiding clients in adapting social, mobile, analytics and cloud-based (SMAC) technologies to their businesses. Such new technologies are becoming fundamental components of the enterprise IT architecture. These technologies are profoundly changing the way companies relate to their customers, interact with employees, and bring products and services to market. As such, the SMAC stack holds the promise of innovation and the potential for innovation-driven top line growth and efficiencies that improve the bottom line. We help clients analyze social media sentiment and build those insights into their customer relationship management process. In other cases, we are enabling clients to manage and analyze vast accumulations of data and to use that data to drive management decisions. We also offer end-to-end services to enable cloud-based processes, from consulting and implementation to ongoing support activities.

Outsourcing Services

- *Application Maintenance.* Our Application Maintenance service offering supports some or all of a client's applications, ensuring that systems remain operational and responsive to changing user requirements and provide on-going enhancements as required by the client. Beyond the traditional view of IT outsourcing as a cost-saving measure, our Application Maintenance services enable clients to improve the overall agility, responsiveness, productivity and efficiency of their IT infrastructure. Increasingly, we also are assisting clients in adapting their IT systems to SMAC technologies.

By supporting some or all of a client's applications, our services help ensure that a user's core operational systems are free of defects and responsive to changing needs. As part of this process, we are often able to introduce product and process enhancements and improve service levels to customers requesting modifications and on-going support. We also provide Application Value Management Solutions that can help balance cost, complexity and capacity and can help clients reduce cost of ownership, improve service levels and create new operational efficiencies.

Our global delivery business model enables us to provide a range of rapid response and cost-effective support services to our clients. Our on-site team members often provide help-desk services at the client's facility. These team members typically are available in the event of an emergency service

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request and are able to quickly resolve customer problems from remote locations. In the case of more complex maintenance services, including modifications, enhancements and documentation, which typically have longer turnaround times, we take full advantage of our offshore resources to develop solutions more cost-effectively than would be possible relying on higher cost local professionals.

As part of our Application Maintenance services, we assist clients in renovating their core systems to meet the requirements imposed by new regulations, new standards or other external events. We seek to anticipate the operational environment of our clients' IT systems as we design and develop such systems. We also offer diagnostic services to clients to assist them in identifying shortcomings in their IT systems and optimizing the performance of their systems.

- **IT Infrastructure Services.** We provide end-to-end IT Infrastructure Management Outsourcing services and anticipate growing demand for these services in the coming years. We provide service capability in redundant Global Operating Centers, or GOCs, worldwide, through which we are able to provide significant scale, quality and cost savings to our clients in IT IS. Clients are increasingly seeking IT IS to sharpen their focus on core business operations, reallocate overhead costs to growth investments, enable businesses to respond more quickly to changing demands, decrease time to market, ensure that the IT infrastructure can scale as the business evolves, and access skill sets that lie outside the organization. The major services we provide include Data Center, Infrastructure Security, Network and Convergence, End-User Computing Services, and Mobility. We also have a new set of Cloud Services offerings that embrace virtualization technologies across delivery solutions including private cloud, enterprise multi-tenant cloud and public cloud models.
- **Business and Knowledge Process Outsourcing.** We provide BPO/KPO services through unique industry-aligned solutions that integrate process, domain and technology expertise to enable our clients to respond in a nimble and flexible manner to market opportunities and challenges, while also creating variable cost structures to drive greater effectiveness and cost-efficiency. We have extensive domain-specific expertise in core front office, middle office and back office functions including, but not limited to: Finance and Accounting, Procurement, Data Administration, Data Management, and Research and Analytics. Our industry-specific solutions include clinical data management, pharmacovigilance, equity research support, commercial operations and order management. In addition to BPO, related services include Consulting to ensure process excellence, and a range of platform-based services. Our goals for our client relationships are customer satisfaction, operational productivity, strategic value, and business transformation. Among the factors driving growth in our services are the desire to improve cost-effectiveness, the emergence of SMAC technologies, and the need for clients to access capabilities beyond their organizations to adapt to rapid changes in technologies, markets and customer demands.

Business Strategies

Our objectives are to maximize stockholder value and enhance our position as a leading provider of information technology, consulting and business process outsourcing services. We implement the following core strategies to achieve these objectives:

Growth through Reinvestment. Historically, we have invested our profit above the 19% to 20% non-GAAP operating margin level, excluding stock-based compensation expense, back into our business. We believe this to be a significant contributing factor to our strong revenue growth. This investment is primarily focused in the areas of: strengthening and expanding our portfolio of services; continuing to expand our geographic presence for both sales and delivery; hiring client partners and relationship personnel with specific industry experience or domain expertise; training our technical staff in a broader range of service offerings; recognizing and rewarding exceptional performance by our employees; and maintaining a level of resources, trained in a broad range of service offerings, to be well positioned to respond to our client requests, as described below.

- **Expand Service Offerings and Solutions:** We have several teams dedicated to creating technology-based innovative solutions and developing new, high value services. The teams collaborate with

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customers to develop these services. For example, we are currently developing new offerings in Business and IT Consulting and industry-oriented IT solutions atop innovative technologies. We invest in internal research and development and promote knowledge building and sharing across the organization to advance the development of new services and solutions. Furthermore, we continue to enhance our capabilities and service offerings in the areas of CRM, ERP, EIM, Software Testing, Infrastructure Management, industry-oriented BPO services and SMAC technologies.

We believe that the continued expansion of our service offerings will provide new sources of revenue, reduce our reliance on any one technology initiative and help foster long-term relationships with our customers by allowing us to better serve their needs. Additionally, as part of our vision to continue our growth and anticipate our clients' and the markets' rapidly changing demands in the near-term, mid-term and long-term, we are investing in emerging opportunities which seek to transform client and user platforms to internet, cloud and mobile-based experiences.

- *Expand Domestic and International Geographic Presence*: We have established sales and marketing offices in various metropolitan areas in the United States and internationally. As we expand our customer base, we plan to open additional sales and marketing offices in North America, Europe, Latin America, Asia, and the Middle East. This expansion is expected to facilitate sales and services to existing and new customers.
- *Research and Development and Competency Centers*: We have project experience and expertise across multiple architectures and technologies, and have made significant investments in our competency centers and in research and development to keep abreast of the latest technology developments. Most of our technical staff is trained in multiple technologies and architectures. As a result, we are able to react to clients' needs quickly and efficiently redeploy our technical staff to different technologies. Also, to develop and maintain this flexibility, we have made a substantial investment in our competency centers so that the experience gained from particular projects and research and development efforts is leveraged across our entire organization. Through our investment in research and development activities and the continuing education of our technical personnel, we enlarge our knowledge base and develop the necessary skills to keep pace with emerging technologies. We believe that our ability to work in new technologies allows us to foster long-term relationships by having the capacity to continually address the needs of both existing and new clients.
- *Enhance Processes, Methodologies and Productivity Toolsets*: We have a comprehensive process framework that addresses the entire software engineering life cycle and support activities, which are scalable for projects of different sizes and complexities. This proprietary framework, which we refer to as "Process Space" (part of Cognizant 2.0), is supported by in-house project management, metrics management and workflow tools and is available to all our programmers globally. Process Space has evolved since its original release in 1996 in breadth, depth and maturity, based on the implementation feedback from projects and findings of internal quality audits and external assessments. Process capabilities are monitored at the sub-process level and performance targets are monitored at the process level. Performance targets are aligned with the overall business objectives. Statistical process controls are used extensively to continuously monitor, predict and improve performance. Our Delivery Assurance Group facilitates process implementation from project inception and audits the projects periodically to ensure that the implementation is effective and the risks are being managed. With the globalization of business, we are committed to improving and enhancing our proprietary Process Space software engineering process and other methodologies and toolsets. In light of the rapid evolution of technology, we believe that continued investment in research and development is critical to our continued success. We are constantly designing and developing additional productivity software tools to automate testing processes and improve project estimation and risk assessment techniques.

We have invested considerably in automation to improve process institutionalization across the organization. For example, we have built and deployed "Cognizant 2.0," an intelligent delivery ecosystem which orchestrates processes, methodologies and best practices driving effective usage of

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knowledge, while providing a collaborative framework for our world-wide client service personnel. Our process framework has been extensively adapted to cater to different types of projects managed by the organization across different service lines, such as Application Development, Managed Services, Application Testing, BPO and IT IS.

Global Delivery Model. We have a four-tiered global architecture for service delivery and operations, consisting of employees co-located at clients' sites, local or in-country delivery centers, regional delivery centers and global delivery centers. Our extensive facilities, technology and communications infrastructure facilitate the seamless integration of our global workforces. This is accomplished by permitting team members in different locations to access common project information and to work directly on client projects. This infrastructure allows for rapid completion of projects, highest level of quality, efficient use of clients' technological resources and real-time access to project information by the on-site account manager or the client. In addition, for large projects with short time frames, our offshore facilities allow for parallel processing of various development phases to accelerate delivery time.

- *Two-in-a-Box:* Our proprietary client engagement model, called Two-in-a-Box™, or TIB, represents our commitment to providing superior service to help our clients reduce IT operational costs, embrace best practices and undergo sustainable business transformation. Centered on the needs of the client's organization, TIB is designed specifically to help the client quickly reduce IT budgets, revamp IT operations and re-deploy freed-up assets to more strategic initiatives that generate business value. The TIB model begins with a relationship management team, led by the Client Partner, or CP, with deep industry expertise, working onsite to absorb the client's culture, operational processes, challenges and business goals and to assist with strategic planning. Another critical TIB team member is the dedicated global delivery manager, or DM. The relationship between the CP and DM is essential to ensure that our IT services are delivered with precision and that they are tailored to each client's unique needs.
- *Highly-Skilled Workforce:* Our managers and senior technical personnel provide in-depth project management expertise to clients. To maintain this level of expertise, we place significant emphasis on recruiting and training our workforce of highly-skilled professionals. We have approximately 19,600 project managers and senior service delivery staff around the world, many of whom have significant work experience in North America, Europe and Asia. We also maintain programs and personnel to hire and train the best available technical professionals in both legacy systems and emerging technologies. We provide extensive combined classroom and on-the-job training to newly-hired technical staff, as well as additional annual training programs designed to enhance the business practices, tools, technology and consulting skills of our professional staff.
- *Continue to be an Employer of Choice in the Industry:* As a rapidly growing professional services firm, a key attribute of our continued success is the ability to continually hire, assimilate, motivate and retain the best talent possible in the industry. We have developed strong relationships with key universities around the world, particularly in India, to provide a continual pipeline of talented staff from Tier One schools. In addition, we have established an active lateral recruiting program in North America, Europe and India and an on-campus recruiting program in North America. We continue to expand our presence and brand in our key supply markets, further enhancing our ability to hire experienced professionals from competing IT services firms and industry to support our client needs and growth. We invest heavily in training programs, motivational programs and career development to ensure personal professional growth for each of our employees.

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Further Develop Long-Term Client Relationships. We have strong long-term strategic relationships with our clients and business partners. We seek to establish long-term relationships that present recurring revenue opportunities, frequently trying to establish relationships with our clients' chief information officers, or other IT and business decision makers, by offering a wide array of cost-effective high quality services. Approximately 98% of our revenues for the year ended December 31, 2012 were derived from clients who had been using our services at the end of 2011. We also seek to leverage our experience with a client's IT systems into new business opportunities. Knowledge of a client's processes and IT systems gained during the performance of application maintenance services, for example, may provide us with a competitive advantage in securing additional maintenance, development and other projects from that client.

Pursue Selective Strategic Acquisitions, Joint Ventures and Strategic Alliances. We believe that opportunities continue to exist in the fragmented market in which we operate to expand our business through selective strategic acquisitions, joint ventures and strategic alliances. We believe that acquisition and joint venture candidates may enable us to expand our geographic presence, service offering and capabilities more rapidly. For example, in late 2012, we completed an acquisition of Medical Inc., an offshore provider of outsourced clinical services focused on the healthcare sector. The services require clinical licensure and expertise. As part of the transaction, we acquired over 600 U.S.-licensed nurses located primarily in the Philippines. This acquisition allows us to expand our BPO expertise within the healthcare industry. Finally, we expect to continue to form strategic alliances with select IT service firms that offer complementary services to best meet the requirements of our clients.

Sales and Marketing

We market and sell our services directly through our professional staff, senior management and direct sales personnel operating out of our Teaneck, New Jersey headquarters and our business development offices which are strategically located in various metropolitan areas around the world. The sales and marketing group works with our client delivery team as the sales process moves closer to the customer's selection of a services provider. The duration of the sales process varies depending on the type of service, ranging from approximately two months to over one year.

Customers

The number of customers served by us has increased significantly in recent years. As of December 31, 2012, we were providing services to approximately 821 clients, as compared to approximately 785 clients as of December 31, 2011, and approximately 712 clients as of December 31, 2010. As of December 31, 2012, we increased the number of strategic clients to 214. We define a strategic client as one offering the potential to generate at least \$5 million to \$50 million or more in annual revenues at maturity. Accordingly, we provide a significant volume of services to many customers in each of our business segments. Therefore, a loss of a significant customer or a few significant customers in a particular segment could materially reduce revenues for such segment. However, no individual customer exceeded 10.0% of our consolidated revenues for the years ended December 31, 2012, 2011, and 2010. In addition, the services we provide to our larger customers are often critical to the operations of such customers and a termination of our services generally would require an extended transition period with gradually declining revenues. For the years ended December 31, 2012, 2011, and 2010, 79.4%, 78.5%, and 78.0% of our revenue, respectively, was from North American customers.

For the year ended December 31, 2012, we derived our revenues from the following business segments: 41.3% from Financial Services, 26.3% from Healthcare, 20.4% from Manufacturing/Retail/Logistics and 12.0% from Other.

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We generally provide our services on a time-and-material, fixed price, or per-transaction basis. The volume of work performed for specific customers is likely to vary from year to year, and a significant customer in one year may not use our services in a subsequent year. Presented in the table below is additional information about our customers.

	Year Ended December 31,		
	2012	2011	2010
Revenues from top five customers as a percentage of total revenues	14.0%	16.3%	17.9%
Revenues from top ten customers as a percentage of total revenues	25.0%	27.7%	30.3%
Revenues under fixed-bid contracts as a percentage of total revenues	33.1%	31.7%	31.5%

Competition

The intensely competitive IT services and outsourcing market includes a large number of participants and is subject to rapid change. This market includes participants from a variety of market segments, including:

- systems integration firms;
- contract programming companies;
- application software companies;
- traditional large consulting firms;
- the professional services groups of computer equipment companies; and
- facilities management and outsourcing companies.

Our direct competitors include, among others, Accenture, Capgemini, Computer Sciences Corporation, Genpact, HCL Technologies, HP Enterprise (formerly Electronic Data Systems), IBM Global Services, Infosys Technologies, Tata Consultancy Services and Wipro. In addition, we compete with numerous smaller local companies in the various geographic markets in which we operate.

Some of our competitors have significantly greater financial, technical and marketing resources and/or greater name recognition. The principal competitive factors affecting the markets for our services include:

- performance and reliability;
- quality of technical support, training and services;
- responsiveness to customer needs;
- reputation and experience;
- financial stability and strong corporate governance; and
- competitive pricing of services.

We rely on the following to compete effectively:

- a well-developed recruiting, training and retention model;
- a successful service delivery model;
- a broad referral base;
- continual investment in process improvement and knowledge capture;
- investment in infrastructure and research and development;
- financial stability and strong corporate governance;

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- continued focus on responsiveness to customer needs, quality of services, competitive prices; and
- project management capabilities and technical expertise.

Intellectual Property

We provide value to our clients based, in part, on our proprietary innovations, methodologies, reusable knowledge capital and other intellectual property. We recognize the importance of intellectual property and its ability to differentiate us from our competitors. We rely on a combination of intellectual property laws, as well as confidentiality procedures and contractual provisions, to protect our intellectual property and our brand. We have registered, and applied for the registration of, U.S. and international trademarks, service marks, domain names, and copyrights. As of December 31, 2012, we have also applied for or obtained a total of 299 trademark registrations in 60 countries. In addition, we have filed 9 U.S. and international patent applications covering certain of our proprietary technology. Although the company believes the ownership of such patents, copyrights, trademarks and service marks is an important factor in its business and that its success does depend in part on the ownership thereof, the company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel.

Employees

We finished the year 2012 with approximately 156,700 employees. We employed approximately 124,100 persons in the Asia Pacific region, approximately 27,300 persons in various locations throughout North America and Latin America and approximately 5,300 persons in various locations throughout Europe, principally in the United Kingdom. We are not party to any significant collective bargaining agreements. We consider our relations with our employees to be good.

Our Executive Officers

The following table identifies our current executive officers:

<u>Name</u>	<u>Age</u>	<u>Capacities in Which Served</u>	<u>In Current Position Since</u>
Lakshmi Narayanan ⁽¹⁾	59	Vice Chairman of the Board of Directors	2007
Francisco D'Souza ⁽²⁾	44	Chief Executive Officer	2007
Gordon Coburn ⁽³⁾	49	President	2012
Karen McLoughlin ⁽⁴⁾	48	Chief Financial Officer	2012
Ramakrishnan Chandrasekaran ⁽⁵⁾	55	Group Chief Executive – Technology and Operations	2012
Rajeev Mehta ⁽⁶⁾	46	Group Chief Executive – Industry and Markets	2012
Malcolm Frank ⁽⁷⁾	46	Executive Vice President, Strategy and Marketing	2012
Steven Schwartz ⁽⁸⁾	45	Senior Vice President, General Counsel and Secretary	2007

- (1) Lakshmi Narayanan was appointed Vice Chairman of the Board of Directors, effective January 1, 2007. Mr. Narayanan served as our Chief Executive Officer from December 2003 through December 2006 and as our President from March 1998 through December 2006. Mr. Narayanan joined our Indian subsidiary as Chief Technology Officer in 1994 and was elected President of such subsidiary on January 1, 1996. Prior to joining us, from 1975 to 1994, Mr. Narayanan was the regional head of Tata Consultancy Services, a large consulting and software services company located in India. Mr. Narayanan serves on the board of directors and as the Chairman of the Governance Committee of TVS Capital Funds Limited. Mr. Narayanan holds a Bachelor of Science degree, a Master of Science degree and a Management degree from the Indian Institute of Science.

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- (2) Francisco D'Souza was appointed President and Chief Executive Officer and became a member of the Board of Directors, effective January 1, 2007. Effective February 6, 2012, Mr. D'Souza ceased serving as our President, at which time Mr. Coburn was appointed to such position. Mr. D'Souza served as our Chief Operating Officer from December 2003 through December 2006. Prior to that, from November 1999 to December 2003, he served as our Senior Vice President, North American Operations and Business Development. From March 1998 to November 1999, he served as our Vice President, North American Operations and Business Development and as our Director-North American Operations and Business Development from June 1997 to March 1998. From January 1996 to June 1997, Mr. D'Souza was engaged as our consultant. From February 1995 to December 1995, Mr. D'Souza was employed as Product Manager at Pilot Software. Between 1992 and 1995, Mr. D'Souza held various marketing, business development and technology management positions as a Management Associate at The Dun & Bradstreet Corporation. While working at The Dun & Bradstreet Corporation, Mr. D'Souza was part of the team that established the software development and maintenance business conducted by us. Mr. D'Souza is a member of the Board of Directors of the General Electric Company. Mr. D'Souza also serves on the Board of Trustees of Carnegie Mellon University, the Board of Trustees of The New York Hall of Science and the Board of Directors of the U.S.-India Business Council. Mr. D'Souza holds a Bachelor of Business Administration degree from the University of Macau (formerly known as the University of East Asia) and a Master of Business Administration degree from Carnegie Mellon University.
- (3) Gordon Coburn was appointed President of the company, effective February 6, 2012. From March 1998 until February 6, 2012, Mr. Coburn served as the company's Chief Financial Officer and Treasurer and from January 2007 until February 6, 2012, Mr. Coburn also held the position of Chief Operating Officer. Mr. Coburn also served as the company's Executive Vice President from December 2003 through December 2006. From November 1999 to December 2003, he served as our Senior Vice President. He previously was our Vice President from 1996 to November 1999. Mr. Coburn served as Senior Director—Group Finance and Operations for Cognizant Corporation from November 1996 to December 1997. From 1990 to October 1996, Mr. Coburn held key financial positions with The Dun & Bradstreet Corporation. Mr. Coburn serves on the board of directors of The Corporate Executive Board Company and TechAmerica. He also served on the board of directors of ICT Group, Inc. until its acquisition on February 2, 2010. Mr. Coburn holds a Bachelor of Arts degree from Wesleyan University and a Master of Business Administration degree from the Amos Tuck School at Dartmouth College.
- (4) Karen McLoughlin was appointed Chief Financial Officer of the company, effective February 6, 2012. She previously served as the company's Senior Vice President of Finance and Enterprise Transformation, a role she held since January 2010. In such role, Ms. McLoughlin was responsible for the company's worldwide financial planning and analysis, enterprise risk management and enterprise transformation functions, including the facilitation and execution of various internal reengineering and transformation initiatives designed to enable the company's strategic vision. From August 2008 to January 2010, Ms. McLoughlin served as the company's Senior Vice President of Finance, responsible for overseeing the Company's global financial planning and analysis team and enterprise risk management, and from October 2003 until August 2008, Ms. McLoughlin served as the company's Vice President of Global Financial Planning and Analysis. Prior to joining Cognizant in October 2003, Ms. McLoughlin held various positions at Spherion Corporation ("Spherion") from August 1997 to October 2003 and at Ryder System Inc. ("Ryder") from July 1994 to August 1997. At both Spherion and Ryder, Ms. McLoughlin held financial management positions and was involved in strategic planning, the integration of several mergers and acquisitions, financial systems implementations and corporate reorganizations. Prior to joining Ryder, she spent six years in the South Florida Practice of Price Waterhouse (now PricewaterhouseCoopers). Ms. McLoughlin has a Bachelor of Arts degree in Economics from Wellesley College and a Master of Business Administration degree from Columbia University.
- (5) Ramakrishnan Chandrasekaran was appointed Group Chief Executive – Technology and Operations, effective February 6, 2012. In this role, Mr. Chandrasekaran is responsible for leading our solutions and delivery teams world-wide. From August 2006 to February 2012, he served as our President and Managing Director, Global Delivery, responsible for leading our global delivery organization, spearheading new solutions, and championing process improvements. Mr. Chandrasekaran served as our Executive Vice

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President and Managing Director from January 2004 through July 2006. Prior to that, from November 1999 to January 2004, he served as our Senior Vice President responsible for Independent Software Vendor, or ISV, relationships, key alliances, capacity growth, process initiatives, business development and offshore delivery. Mr. Chandrasekaran joined us as Assistant Vice President in December 1994, before being promoted to Vice President in January 1997. Prior to joining us, Mr. Chandrasekaran worked with Tata Consultancy Services. Mr. Chandrasekaran holds a Mechanical Engineering degree and Master of Business Administration degree from the Indian Institute of Management.

- (6) Rajeev Mehta was appointed Group Chief Executive – Industries and Markets, effective February 6, 2012. In this role, Mr. Mehta is responsible for leading our industry vertical and geographic market operations on a global basis. From August 2006 to February 2012, he served as our Chief Operating Officer, Global Client Services, responsible for our sales, business development and client relationship management organizations. Mr. Mehta, who joined Cognizant in 1997, most recently served as Senior Vice President and General Manager of our Financial Services Business Unit, a position he held from June 2005 to August 2006. From November 2001 to June 2005, he served as our Vice President and General Manager of our Financial Services Business Unit. From January 1998 to November 2001, Mr. Mehta served as our Director of the U.S. Central Region. Mr. Mehta served as our Senior Manager of Business Development from January 1997 to January 1998. Prior to joining Cognizant in 1997, Mr. Mehta was involved in implementing GE Information Services offshore outsourcing program and also held consulting positions at Deloitte & Touche and Andersen Consulting. Mr. Mehta holds a Bachelor of Science degree from the University of Maryland and a Master of Business Administration degree from Carnegie Mellon University.
- (7) Malcolm Frank was appointed Executive Vice President, Strategy and Marketing, effective February 6, 2012. In this role, Mr. Frank is responsible for shaping our corporate strategy and global. Mr. Frank served as our Senior Vice President of Strategy and Marketing from August 2005 to February 2012. In both these roles, Mr. Frank's responsibilities have included, and continue to include, directing all aspects of our corporate marketing function, including strategy and branding, industry and media relations, corporate communications and corporate marketing. From August 2005 until June 2009, Mr. Frank was also responsible for leading our field marketing function. Prior to joining Cognizant in August 2005, Mr. Frank was co-founder, President and Chief Executive Officer of CXO Systems, Inc., an independent software vendor providing dashboard solutions for senior managers, from March 2002 to July 2005. From June 1999 to September 2002, Mr. Frank was the founder, President, Chief Executive Officer and Chairman of Nervewire Inc. ("Nervewire"), a management consulting and systems integration firm. Prior to founding Nervewire, Mr. Frank was a co-founder, executive officer, and Senior Vice President at Cambridge Technology Partners, where he ran Worldwide Marketing, Business Development, and several business units, from January 1990 to June 1999. Mr. Frank graduated from Yale University with a degree in Economics.
- (8) Steven Schwartz was named Senior Vice President, General Counsel and Secretary in July 2007, having global responsibility for managing Cognizant's legal function. Mr. Schwartz, who joined Cognizant in 2001, most recently served as Vice President and General Counsel, a position he held from March 2003 to July 2007. From April 2002 to March 2003, he served as our Vice President and Chief Corporate Counsel. From October 2001 to December 2002, he served as our Chief Corporate Counsel. Mr. Schwartz also serves as our Chief Legal Officer. Mr. Schwartz serves on the board of directors of Information Technology Industry Council and Citizen Schools. Mr. Schwartz holds a Bachelor of Business Administration degree from the University of Miami, a Juris Doctor degree from Fordham University School of Law and a Master of Law (in Taxation) degree from the New York University School of Law.

None of our executive officers are related to any other executive officer or to any of our Directors. Our executive officers are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

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Corporate History

We began our IT development and maintenance services business in early 1994, as an in-house technology development center for The Dun & Bradstreet Corporation and its operating units. In 1996, we, along with certain other entities, were spun-off from The Dun & Bradstreet Corporation to form a new company, Cognizant Corporation. On June 24, 1998, we completed an initial public offering of our Class A common stock. On June 30, 1998, a majority interest in us, and certain other entities were spun-off from Cognizant Corporation to form IMS Health. Subsequently, Cognizant Corporation was renamed Nielsen Media Research, Incorporated.

On January 30, 2003, we filed a tender offer in which IMS Health stockholders could exchange IMS Health shares held by them for our Class B common stock held by IMS Health. On February 13, 2003, IMS Health distributed all of our Class B common stock that IMS Health owned in an exchange offer to its stockholders. On February 21, 2003, pursuant to the terms of our Restated Certificate of Incorporation, all of the shares of Class B common stock automatically converted into shares of Class A common stock. Since February 21, 2003, there have been no outstanding shares of Class B common stock. Effective May 26, 2004, pursuant to our Certificate of Incorporation, there are no authorized shares of Class B common stock.

Available Information

We make available the following public filings with the Securities and Exchange Commission, or the SEC, free of charge through our website at www.cognizant.com as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC:

- our Annual Reports on Form 10-K and any amendments thereto;
- our Quarterly Reports on Form 10-Q and any amendments thereto; and
- our Current Reports on Form 8-K and any amendments thereto.

In addition, we make available our code of business conduct and ethics entitled "Cognizant's Core Values and Standards of Business Conduct" free of charge through our website. We intend to disclose any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Global Select Market by posting it on our website.

No information on our website is incorporated by reference into this Form 10-K or any other public filing made by us with the SEC.

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Item 1A. Risk Factors

Factors That May Affect Future Results

In addition to the risks and uncertainties described elsewhere in this Annual Report on Form 10-K, if any of the following risks occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline.

Our global operations are subject to complex risks, some of which might be beyond our control.

We have offices and operations in various countries around the world and provide services to clients globally. In 2012, approximately 79.4% of our revenues were attributable to the North American region, 16.3% were attributable to the European region, and 4.3% were attributable to the rest of the world, primarily the Asia Pacific region. If we are unable to manage the risks of our global operations, including regulatory, economic, political and other uncertainties in India, fluctuations in foreign exchange and inflation rates, international hostilities, terrorism, natural disasters, and multiple legal and regulatory systems, our results of operations could be adversely affected.

A substantial portion of our assets and operations are located in India and we are subject to regulatory, economic, political and other uncertainties in India.

We intend to continue to develop and expand our offshore facilities in India where a majority of our technical professionals are located. While wage costs are lower in India than in the United States and other developed countries for comparably skilled professionals, wages in India have historically increased at a faster rate than in the United States and other countries in which we operate. If this trend continues in the future, it would result in increased costs for our skilled professionals and thereby potentially reduce our operating margins. Also, there is no assurance that, in future periods, competition for skilled professionals will not drive salaries higher in India, thereby resulting in increased costs for our technical professionals and reduced operating margins.

India has also recently experienced civil unrest and terrorism and has been involved in conflicts with neighboring countries. In recent years, there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. The potential for hostilities between the two countries has been high in light of tensions related to recent terrorist incidents in India and the unsettled nature of the regional geopolitical environment, including events in and related to Afghanistan and Iraq. If India becomes engaged in armed hostilities, particularly if these hostilities are protracted or involve the threat of or use of weapons of mass destruction, it is likely that our operations would be materially adversely affected. In addition, companies may decline to contract with us for services in light of international terrorist incidents or armed hostilities, even where India is not involved, because of more generalized concerns about relying on a service provider utilizing international resources that may be viewed as less stable than those provided domestically.

In the past, the Indian economy has experienced many of the problems that commonly confront the economies of developing countries, including high inflation, erratic gross domestic product growth and shortages of foreign exchange. The Indian government has exercised, and continues to exercise, significant influence over many aspects of the Indian economy and Indian government actions concerning the economy could have a material adverse effect on private sector entities like us. In the past, the Indian government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the software development services industry. Programs that have benefited us include, among others, tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. Notwithstanding these benefits, as noted above, India's central and state governments remain significantly involved in the Indian economy as regulators. In recent years, the Indian government has introduced non-income related taxes, including new service taxes, and income-related taxes.

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including the Minimum Alternative Tax, or MAT. In addition, a change in government leadership in India or a change in policies of the existing government in India that results in the elimination of any of the benefits realized by us from our Indian operations or the imposition of new taxes applicable to such operations could have a material adverse effect on our business, results of operations and financial condition.

In addition, the emergence of a widespread health emergency or pandemic, which may be more difficult to prevent or contain in a country like India as compared to more developed countries, could create economic or financial disruption that could negatively affect our revenue and operations or impair our ability to manage our business in certain parts of the world.

Our international sales and operations are subject to many uncertainties.

Revenues from customers outside North America represented approximately 20.6% of our revenues for the year ended December 31, 2012. We anticipate that revenues from customers outside North America will continue to account for a material portion of our revenues in the foreseeable future and may increase as we expand our international presence, particularly in Europe, the Asia Pacific region and the Latin America region. In addition, the majority of our employees, along with our development and delivery centers, are located in India. As a result, we may be subject to risks inherently associated with international operations, including risks associated with foreign currency exchange rate fluctuations, which may cause volatility in our reported income, and risks associated with the application and imposition of protective legislation and regulations relating to import or export or otherwise resulting from foreign policy or the variability of foreign economic conditions. From time to time, we may engage in hedging transactions to mitigate our risks relating to exchange rate fluctuations. The use of hedging contracts is intended to mitigate or reduce transactional level volatility in the results of our foreign operations, but does not completely eliminate volatility and risk. In addition, use of hedging contracts includes the risk of non-performance by the counterparty. Additional risks associated with international operations include difficulties in enforcing intellectual property and/or contractual rights, the burdens of complying with a wide variety of foreign laws, potentially adverse tax consequences, tariffs, quotas and other barriers and potential difficulties in collecting accounts receivable. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations. Additionally, such companies may have long-standing or well-established relationships with local officials and/or desired clients, which may put us at a competitive disadvantage. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. There can be no assurance that these and other factors will not impede the success of our international expansion plans, limit our ability to compete effectively in other countries or otherwise have a material adverse effect on our business, results of operations and financial condition.

Our operating results may be adversely affected by fluctuations in the Indian rupee and other foreign currency exchange rates and restrictions on the deployment of cash across our global operations.

Although we report our operating results in U.S. dollars, a portion of our revenues and expenses are denominated in currencies other than the U.S. dollar. Fluctuations in foreign currency exchange rates can have a number of adverse effects on us. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, expenses and income, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, changes in the value of the U.S. dollar against other currencies will affect our revenues, income from operations, other income (expense), net and the value of balance sheet items originally denominated in other currencies. There is no guarantee that our financial results will not be adversely affected by currency exchange rate fluctuations or that any efforts by us to engage in currency hedging activities will be effective. In addition, in some countries we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which could limit our ability to use these funds across our global operations. Finally, as we continue to leverage our global delivery model, more of

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our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Indian rupee, against the U.S. dollar could increase costs for delivery of services at offshore sites by increasing labor and other costs that are denominated in local currency.

Our operating results may be adversely affected by our use of derivative financial instruments.

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges of certain rupee denominated payments in India. These contracts are intended to partially offset the impact of the movement of the exchange rates on future operating costs. In addition, we also entered into foreign exchange forward contracts in order to mitigate foreign currency risk on Indian rupee denominated net monetary assets. The hedging strategies that we have implemented, or may in the future implement, to mitigate foreign currency exchange rate risks may not reduce or completely offset our exposure to foreign exchange rate fluctuations and may expose our business to unexpected market, operational and counterparty credit risks. Accordingly, we may incur losses from our use of derivative financial instruments that could have a material adverse effect on our business, results of operations and financial condition.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violations of these regulations could harm our business.

Because we provide services to clients throughout the world, we are subject to numerous, and sometimes conflicting, legal rules on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy and labor relations. Violations of these laws or regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, damage to our reputation and other unintended consequences such as liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws might be insufficient to protect our rights. Our failure to comply with applicable legal and regulatory requirements could have a material adverse effect on our business, results of operations and financial condition.

Among other anti-corruption laws and regulations, including the U.K. Bribery Act, we are subject to the United States Foreign Corrupt Practices Act, or FCPA, which prohibits improper payments or offers of improper payments to foreign officials to obtain business or any other benefit. The FCPA also requires covered companies to make and keep books and records that accurately and fairly reflect the transactions of the company and to devise and maintain an adequate system of internal accounting controls. In many parts of the world, including countries in which we operate, practices in the local business community might not conform to international business standards and could violate these anti-corruption laws or regulations. Although we have policies and procedures in place that are designed to promote legal and regulatory compliance, our employees, subcontractors and agents could take actions that violate these policies or procedures or applicable anti-corruption laws or regulations. Furthermore, the U.S. government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or that we acquire. Violations of these laws or regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from government contracting or contracting with private entities in certain highly regulated industries, any of which could have a material adverse effect on our business.

International hostilities, terrorist activities, other violence or war, natural disasters, pandemics and infrastructure disruptions, could delay or reduce the number of new service orders we receive and impair our ability to service our customers, thereby adversely affecting our business, financial condition and results of operations.

Hostilities involving the United States and acts of terrorism, violence or war, such as the attacks of September 11, 2001 in the United States, the attacks of July 7, 2005 in the United Kingdom, the attacks of

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November 26, 2008 and July 13, 2011 in Mumbai, India, and the continuing conflict in the Middle East and Afghanistan, natural disasters, global health risks or pandemics or the threat or perceived potential for these events could materially adversely affect our operations and our ability to provide services to our customers. Such events may cause customers to delay their decisions on spending for information technology, consulting, and business and knowledge process outsourcing services and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our clients, which could affect our financial results. By disrupting communications and travel, giving rise to travel restrictions, and increasing the difficulty of obtaining and retaining highly-skilled and qualified personnel, these events could make it difficult or impossible for us to deliver services to some or all of our clients. As noted above, the majority of our technical professionals are located in India, and the vast majority of our technical professionals in the United States and Europe are Indian nationals who are able to work in the United States and Europe only because they hold current visas and work permits. Travel restrictions could cause us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled professionals we need for our operations. In addition, any extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients.

Although we continue to believe that we have a strong competitive position in the United States, we continue to increase our efforts to geographically diversify our clients and revenue. Despite our efforts to diversify, hostilities involving the United States, the United Kingdom, India and other countries in which we provide services to our clients, and other acts of terrorism, violence or war, natural disasters, global health risks or pandemics may reduce the demand for our services and negatively affect our revenues and profitability. While we plan and prepare to defend against each of these occurrences, we might be unable to protect our people, facilities and systems against all such occurrences. If these disruptions prevent us from effectively serving our clients, our operating results could be adversely affected.

Anti-outsourcing legislation, if adopted, and negative perceptions associated with offshore outsourcing could adversely affect our business, financial condition and results of operations and impair our ability to service our customers.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest market. For example, measures aimed at limiting or restricting outsourcing by United States companies are periodically considered in the U.S. Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs domestically. On August 13, 2010, President Barack Obama signed legislation which imposed additional fees of \$2,000 for certain H-1B petitions and \$2,250 for certain L-1A and L-1B petitions beginning in August 2010 through September 20, 2014. These fees were later extended through September 20, 2015. Given the ongoing debate over outsourcing, the introduction and consideration of other restrictive legislation or regulations is possible. If enacted, such measures may: broaden existing restrictions on outsourcing by federal and state government agencies and on government contracts with firms that outsource services directly or indirectly, or impact private industry with measures that include, but are not limited to, tax disincentives, fees or penalties, intellectual property transfer restrictions, mandatory government audit requirements, and new standards that have the effect of restricting the use of certain business and/or work visas. In the event that any of these measures become law, our business, results of operations and financial condition could be adversely affected and our ability to provide services to our customers could be impaired.

In addition, from time to time, there has been publicity about negative experiences associated with offshore outsourcing, such as domestic job loss, and theft and misappropriation of sensitive client data, particularly involving service providers in India. Current or prospective clients may elect to perform certain services themselves or may be discouraged from utilizing global service delivery providers due to negative perceptions that may be associated with using global service delivery models or firms. Any slowdown or reversal of existing

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industry trends toward global service delivery would seriously harm our ability to compete effectively with competitors that provide the majority of their services from within the country in which our clients operate.

Existing and future legislative and administrative/ regulatory policies restricting the performance of business process services from an offshore location in jurisdictions in Europe, the Asia Pacific, or any other region in which we have clients could also have a material adverse effect on our business, results of operations and financial condition. For example, legislation enacted in the United Kingdom, based on the 1977 EC Acquired Rights Directive, has been adopted in some form by many European Union, or EU, countries, and provides that if a company outsources all or part of its business to a service provider or changes its current service provider, the affected employees of the company or of the previous service provider are entitled to become employees of the new service provider, generally on the same terms and conditions as their original employment. In addition, dismissals of employees who were employed by the company or the previous service provider immediately prior to that transfer are automatically considered unfair dismissals that entitle such employees to compensation. As a result, to avoid unfair dismissal claims, we may have to offer, and become liable for, voluntary redundancy payments to the employees of our clients who outsource business to us in the United Kingdom and other EU countries that have adopted similar laws. These types of policies may materially affect our ability to obtain new business from companies in the United Kingdom and EU and to provide outsourced services to companies in the United Kingdom and EU in a cost-effective manner.

Our growth may be hindered by immigration restrictions.

Our future success continues to depend on our ability to attract and retain employees with technical and project management skills, including those from developing countries, especially India. The ability of foreign nationals to work in the United States and Europe depends on their ability and our ability to obtain the necessary visas and work permits.

The H-1B visa classification enables United States employers to hire certain qualified foreign workers in positions that require an education at least equal to a four-year bachelor degree in the United States in specialty occupations such as IT systems engineering and computer systems analysis. The H-1B visa usually permits an individual to work and live in the United States for a period of up to six years. Under certain limited circumstances, H-1B visa extensions after the six-year period may be available. There is a limit on the number of new H-1B petitions that the United States Citizenship and Immigration Services, or CIS, may approve in any federal fiscal year, and in years in which this limit is reached, we may be unable to obtain H-1B visas necessary to bring foreign employees to the United States. Currently, the limit is 65,000 for holders of United States or United States-equivalent bachelor degrees (the general cap), and an additional 20,000 for holders of advanced degrees from United States post-secondary educational institutions. CIS announced on June 11, 2012 that the agency had reached its general cap of 65,000 H-1B visas, and on June 7, 2012 that the agency had reached its advanced degree cap of 20,000 H-1B visas for the fiscal year (FY) 2013. We will begin filing H-1B petitions with CIS against the fiscal year (FY) 2014 caps beginning April 1, 2013 for work in H-1B status beginning on October 1, 2013. As part of our advanced planning process, we believe that we have a sufficient number of employees who are work permit-ready to meet our anticipated business growth in the current year. In addition, there are strict labor regulations associated with the H-1B visa classification. Larger users of the H-1B visa program, like us, face additional/higher legal and regulatory standards, and are often subject to investigations by the Wage and Hour Division of the United States Department of Labor (DOL) and unannounced random site inspections by CIS's parent agency, the United States Department of Homeland Security (DHS). A finding by DOL, DHS, and/ or another governmental agency of willful or substantial failure to comply with existing regulations on the H-1B classification may result in back-pay liability, substantial fines, and/ or a ban on future use of the H-1B program and/ or other immigration benefits.

We also regularly transfer foreign professionals to the United States to work, including work on projects at client sites, using the L-1 visa classification. Companies abroad are allowed to transfer certain managers and

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executives through the L-1A visa, and employees with specialized company knowledge through the L-1B visa to related United States companies, such as a parent, subsidiary, affiliate, joint venture, or branch office. We have an approved "Blanket L" petition, under which the corporate relationships of our transferring and receiving entities have been pre-approved by CIS, thus enabling individual L-1 visa applications to be presented directly to a visa-issuing United States consular post abroad rather than undergoing a pre-approval process through CIS in the United States. In recent years, both the United States consular posts in India that review initial L-1 applications and CIS, which adjudicates individual petitions for initial grants and extensions of L-1 visa status, have become increasingly restrictive with respect to this category, particularly the L-1B "specialized knowledge" standard. As a result, the rate of refusals of initial individual L-1 petitions and extensions for Indian nationals has increased. In addition, even where L-1 visas are ultimately granted and issued, security measures undertaken by United States consular posts around the world have delayed or prevented visa issuances. Our inability to bring qualified technical personnel into the United States to staff on-site customer locations would have a material adverse effect on our business, results of operations and financial condition.

Pursuant to the L-1 Visa Reform Act, we must meet a number of restrictions and requirements to obtain L-1 visas for our personnel. For example, all L-1 applicants, including those brought to the United States under a Blanket L Program, must have worked abroad with the related company for one full year in the prior three years. In addition, L-1B "specialized knowledge" visa holders may not be primarily stationed at the work site of another employer if the L-1B visa holder will be principally controlled and supervised by an employer other than the petitioning employer. Finally, L-1B status may not be granted where placement of the L-1B visa holder at a third party site is part of an arrangement to provide labor for the third party, rather than placement at the site in connection with the provision of a product or service involving specialized knowledge specific to the petitioning employer.

We do not place L-1B workers at third party sites where they are under the primary supervision of a different employer, nor do we place L-1B workers at third party sites in an arrangement to provide labor for the third party without providing a service involving our workers' specialized knowledge. Since implementation of the L-1 Visa Reform Act, we consistently have established this fact to CIS's satisfaction. However, if CIS and/or the United States Department of State, through its visa-issuing consular posts abroad, decide to interpret these provisions in a very restrictive fashion, this could impair our ability to effectively staff our projects in the United States with personnel from abroad. New guidance governing these and related statutory provisions from CIS is anticipated, and if such guidance is restrictive in nature, our ability to staff our projects in the United States with personnel from abroad will be impaired.

We also process immigrant visas for lawful permanent residence (Green Cards) in the United States for employees to fill positions for which there are an insufficient number of able, willing, and qualified United States workers available to fill the positions. Compliance with existing United States immigration and labor laws, changes in those laws, and/or increase in governmental scrutiny, making it more difficult to hire foreign nationals or limiting our ability to successfully obtain permanent residence for our foreign employees in the United States, could require us to incur additional unexpected labor and/or other costs and expenses, and/or could restrain our ability to retain the skilled professionals we need for our operations in the United States. Any of these restrictions or limitations on our hiring practices could have a material adverse effect on our business, results of operations and financial condition.

In addition to immigration restrictions in the United States, there are certain restrictions on transferring employees to work in the United Kingdom, where we have experienced significant growth. The United Kingdom currently requires that all employees who are not nationals of European Union countries (plus nationals of Bulgaria and Romania), or EEA nationals, obtain work permission before obtaining a visa/entry clearance to travel to the United Kingdom. European nations such as Hungary, Poland, Lithuania, Slovakia, and the Czech Republic do not have a work permit requirement but employees need to register to work within 30 days of arrival. The United Kingdom has a points-based system under which certain certificates of sponsorship are issued by licensed employer sponsors, provided the employees they seek to employ in the United Kingdom can

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accumulate a certain number of points based on certain attributes. Where the employee has not worked for a Cognizant group company outside the United Kingdom for at least 6 months, we must carry out a resident labor market test to confirm that the intended role cannot be filled by an EEA national. We are currently an A-rated sponsor and were allocated certificates of sponsorship which we believe are sufficient to meet our current and expected demand for transfers to the United Kingdom. On November 23, 2010, the United Kingdom announced new restrictions to control annual net migration, but allowed for temporary intra-company transfers of employees from outside the European Economic Area for up to five years as long as the employees meet certain compensation requirements.

Immigration and work permit laws and regulations in the United States, the United Kingdom, the EU, Switzerland and other countries are subject to legislative and administrative changes as well as changes in the application of standards and enforcement. Immigration and work permit laws and regulations can be significantly affected by political forces and levels of economic activity. Our international expansion strategy and our business, results of operations, and financial condition may be materially adversely affected if changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations impair our ability to staff projects with professionals who are not citizens of the country where the work is to be performed.

Our revenues are highly dependent on clients primarily located in the United States and Europe, as well as on clients concentrated in certain industries, including the financial services industry. Continuing or worsening economic conditions or factors that negatively affect the economic health of the United States, Europe or these industries may adversely affect our business.

Approximately 79.4% of our revenues during the year ended December 31, 2012 were derived from customers located in North America. In the same period, approximately 16.3% of our revenues were derived from customers located in Europe. If the United States or European economy continues to weaken or slow and conditions in the financial markets continue to deteriorate, pricing for our services may be depressed and our customers may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. Additionally, any prolonged recession in the United States and Europe could have an adverse impact on our revenues because our revenues are primarily derived from the United States and Europe. In addition, during the year ended December 31, 2012, we earned approximately 41.3% of our revenues from the financial services industry, which includes insurance. Deterioration in the financial services industry or significant consolidation in that industry, or a decrease in growth or consolidation in other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability. In addition, if we are unable to successfully anticipate changing economic and political conditions affecting the industries and markets in which we operate, we may be unable to effectively plan for or respond to those changes, and our business could be negatively affected.

We face intense competition from other service providers.

We operate in intensely competitive industries that experience rapid technological developments, changes in industry standards, and changes in customer requirements. The intensely competitive information technology, consulting and business process outsourcing professional services markets include a large number of participants and are subject to rapid change. These markets include participants from a variety of market segments, including:

- systems integration firms;
- contract programming companies;
- application software companies;
- internet solutions providers;
- large or traditional consulting companies;

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- professional services groups of computer equipment companies; and
- infrastructure management and outsourcing companies.

These markets also include numerous smaller local competitors in the various geographic markets in which we operate which may be able to provide services and solutions at lower costs or on terms more attractive to clients than we can. Our direct competitors include, among others, Accenture, Capgemini, Computer Sciences Corporation, Genpact, HCL Technologies, HP Enterprise (formerly Electronic Data Systems), IBM Global Services, Infosys Technologies, Tata Consultancy Services and Wipro. Many of our competitors have significantly greater financial, technical and marketing resources and greater name recognition and, therefore, may be better able to compete for new work and skilled professionals. There is a risk that increased competition could put downward pressure on the prices we can charge for our services and on our operating margins. Similarly, if our competitors develop and implement methodologies that yield greater efficiency and productivity, they may be able to offer services similar to ours at lower prices without adversely affecting their profit margins. Even if our offerings address industry and client needs, our competitors may be more successful at selling their services. If we are unable to provide our clients with superior services and solutions at competitive prices or successfully market those services to current and prospective clients, our results of operations may suffer. Further, a client may choose to use its own internal resources rather than engage an outside firm to perform the types of services we provide. We cannot be certain that we will be able to sustain our current levels of profitability or growth in the face of competitive pressures, including competition for skilled technology professionals and pricing pressure from competitors employing an on-site/offshore business model.

In addition, we may face competition from companies that increase in size or scope as the result of strategic mergers or acquisitions. These transactions may include consolidation activity among hardware manufacturers, software companies and vendors, and service providers. The result of any such vertical integration may be greater integration of products and services that were once offered separately by independent vendors. Our access to such products and services may be reduced as a result of such an industry trend, which could adversely affect our competitive position. These types of events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and requiring us to recognize impairments on our assets.

We may not be able to sustain our current level of profitability.

For the year ended December 31, 2012, we reported an operating margin of 18.5%. Our operating margin may decline if we experience declines in demand and pricing for our services, an increase in our operating costs, including imposition of new non-income related taxes, or due to adverse fluctuations in foreign currency exchange rates. In addition, historically, wages in India have increased at a faster rate than in the United States. Additionally, the number and type of equity-based compensation awards and the assumptions used in valuing equity-based compensation awards may change resulting in increased stock-based compensation expense and lower margins. Although we have historically been able to partially offset wage increases and foreign currency fluctuations through further leveraging the scale of our operating structure, obtaining price increases, and issuing a lower number of stock-based compensation awards in proportion to our overall headcount, we cannot be sure that we will be able to continue to do so in the future.

Our profitability could suffer if we are not able to control our costs or improve our efficiency.

Our ability to control our costs and improve our efficiency affects our profitability. If we are unable to control our costs or improve our efficiency, our profitability could be negatively affected.

Our business will suffer if we fail to develop new services and enhance our existing services in order to keep pace with the rapidly evolving technological environment.

The information technology, consulting and business process outsourcing professional services markets are characterized by rapid technological change, evolving industry standards, changing customer preferences and

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new product and service introductions. Our future success will depend on our ability to develop solutions that keep pace with changes in the markets in which we provide services. We cannot be sure that we will be successful in developing new services addressing evolving technologies in a timely or cost-effective manner or, if these services are developed, that we will be successful in the marketplace. In addition, we cannot be sure that products, services or technologies developed by others will not render our services non-competitive or obsolete. Our failure to address the demands of the rapidly evolving technological environment could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive will also depend on our ability to design and implement, in a timely and cost-effective manner, solutions for customers that both leverage their legacy systems and appropriately utilize newer technologies such as cloud-based services, Web 2.0 models, and software-as-a-service. Our failure to design and implement solutions in a timely and cost-effective manner could have a material adverse effect on our business, results of operations and financial condition.

We may face difficulties in providing end-to-end business solutions or delivering complex and large projects for our clients that could cause clients to discontinue their work with us, which in turn could harm our business.

We have been expanding the nature and scope of our engagements and have added new service offerings, such as IT consulting, business and knowledge process outsourcing, systems integration and outsourcing of entire portions of IT infrastructure. The success of these service offerings is dependent, in part, upon continued demand for such services by our existing, new and prospective clients and our ability to meet this demand in a cost-competitive and effective manner. In addition, our ability to effectively offer a wider breadth of end-to-end business solutions depends on our ability to attract existing or new clients to these service offerings. To obtain engagements for such end-to-end solutions, we also are more likely to compete with large, well-established international consulting firms, resulting in increased competition and marketing costs. Accordingly, we cannot be certain that our new service offerings will effectively meet client needs or that we will be able to attract existing and new clients to these service offerings.

The increased breadth of our service offerings may result in larger and more complex projects with our clients. This will require us to establish closer relationships with our clients and a thorough understanding of their operations. Our ability to establish such relationships will depend on a number of factors, including the proficiency of our professionals and our management personnel. Our failure to understand our client requirements or our failure to deliver services that meet the requirements specified by our clients could result in termination of client contracts, and we could be liable to our clients for significant penalties or damages.

Larger projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from factors that have little or nothing to do with the quality of our services, such as the business or financial condition of our clients or the economy generally. Such cancellations or delays make it difficult to plan for project resource requirements and inaccuracies in such resource planning and allocation may have a negative impact on our profitability.

If our clients are not satisfied with our services, our business could be adversely affected.

Our business model depends in large part on our ability to attract additional work from our base of existing clients. Our business model also depends on our account teams' ability to develop relationships with our clients that enable us to understand our clients' needs and deliver solutions and services that are tailored to those needs. If a client is not satisfied with the quality of work performed by us, or with the type of services or solutions delivered, then we could incur additional costs to address the situation, the profitability of that work might be impaired, and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client. In particular, clients that are not satisfied might seek to terminate existing contracts prior to their

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scheduled expiration date and could direct future business to our competitors. In addition, negative publicity related to our client services or relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts with current and prospective clients.

We rely on a few customers for a large portion of our revenues.

Our top five and top ten customers generated approximately 14.0% and 25.0%, respectively, of our revenues for the year ended December 31, 2012. The volume of work performed for specific customers is likely to vary from year to year, and a major customer in one year may not use our services in a subsequent year. The loss of one of our large customers could have a material adverse effect on our business, results of operations and financial condition.

We generally do not have long-term contracts with our customers and our results of operations could be adversely affected if our clients terminate their contracts with us on short notice.

Consistent with industry practice, we generally do not enter into long-term contracts with our customers. A majority of our contracts can be terminated by our clients with short notice and without significant early termination cost. Terminations may result from factors that are beyond our control and unrelated to our work product or the progress of the project, including the business or financial conditions of the client, changes in ownership or management at our clients, changes in client strategies or the economy or markets generally. When contracts are terminated, we lose the anticipated revenues and might not be able to eliminate our associated costs in a timely manner. Consequently, our profit margins in subsequent periods could be lower than expected. If we are unable to replace the lost revenue with other work on terms we find acceptable or effectively eliminate costs, we may not be able to maintain our level of profitability.

Our results of operations may be affected by the rate of growth in the use of technology in business and the type and level of technology spending by our clients.

Our business depends, in part, upon continued growth in the use of technology in business by our clients and prospective clients as well as their customers and suppliers. In challenging economic environments, our clients may reduce or defer their spending on new technologies in order to focus on other priorities. At the same time, many companies have already invested substantial resources in their current means of conducting commerce and exchanging information, and they may be reluctant or slow to adopt new approaches that could disrupt existing personnel, processes and infrastructures. If the growth of technology usage in business, or our clients' spending on technology in business, declines, or if we cannot convince our clients or potential clients to embrace new technological solutions, our results of operations could be adversely affected.

If we are unable to collect our receivables from, or bill our unbilled services to, our clients, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain allowances against receivables and unbilled services. Actual losses on client balances could differ from those that we currently anticipate and, as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions, such as the continued credit crisis and related turmoil in the global financial system, could also result in financial difficulties, including limited access to the credit markets, insolvency or bankruptcy, for our clients, and, as a result, could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of

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operations and cash flows could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our cash flows could be adversely affected.

We are investing substantial cash in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

We have made and continue to make significant contractual commitments related to capital expenditures on construction or expansion of our development and delivery centers. We may encounter cost overruns or project delays in connection with new facilities. These expansions will likely increase our fixed costs and if we are unable to grow our business and revenues proportionately, our profitability may be reduced.

Competition for highly-skilled technical personnel is intense and the success of our business depends on our ability to attract and retain highly-skilled professionals.

Our future success will depend to a significant extent on our ability to attract, train and retain highly-skilled professionals so as to keep our supply of skills and resources in balance with client demand. In particular, we must attract, train and retain appropriate numbers of talented people, including project managers, IT engineers and other senior technical personnel, with diverse skills in order to serve client needs and grow our business. We are particularly dependent on retaining our senior executives and other experienced managers with the skill sets required by our business, and if we are unable to do so, our ability to develop new business and effectively lead our current projects could be jeopardized. Similarly, the profitability of our business model depends on our ability to effectively utilize personnel with the right mix of skills and experience to support our projects. The processes and costs associated with recruiting, training and retaining employees place significant demands on our resources.

We believe there is a shortage of, and significant competition for, professionals with the advanced technological skills necessary to perform the services we offer. We have subcontracted to a limited extent in the past, and may do so in the future, with other service providers in order to meet our obligations to our customers. Our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain technical personnel with the skills that keep pace with continuing changes in information technology, evolving industry standards and changing customer preferences. Further, we must train and manage our growing work force, requiring an increase in the level of responsibility for both existing and new management personnel. We cannot guarantee that the management skills and systems currently in place will be adequate or that we will be able to train and assimilate new employees successfully. Our profits and ability to compete for and manage client engagements could be adversely affected if we cannot manage employee hiring and attrition to achieve a stable and efficient workforce structure.

Our ability to operate and compete effectively could be impaired if we lose key personnel or if we cannot attract additional qualified personnel.

Our future performance depends to a significant degree upon the continued service of the key members of our management team, as well as marketing, sales and technical personnel, and our ability to attract and retain new management and other personnel. We do not maintain key man life insurance on any of our executive officers or significant employees. Competition for personnel is intense, and there can be no assurance that we will be able to retain our key employees or that we will be successful in attracting and retaining new personnel in the future. The loss of any one or more of our key personnel or the failure to attract and retain key personnel could have a material adverse effect on our business, results of operations and financial condition.

Restrictions in non-competition agreements with our executive officers may not be enforceable.

Currently we have entered into non-competition agreements with the majority of our executive officers. We cannot be certain, however, that the restrictions in these agreements prohibiting such executive officers from

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engaging in competitive activities are enforceable. Further, substantially all of our professional non-executive staff are not covered by agreements that would prohibit them from working for our competitors. If any of our key professional personnel leaves our employment and joins one of our competitors, our business could be adversely affected.

Our earnings may be adversely affected if we change our intent not to repatriate foreign earnings or if such earnings become subject to U.S. tax on a current basis.

Effective January 1, 2002, and in accordance with authoritative literature, we no longer accrue incremental U.S. taxes on our Indian earnings recognized after 2001 as these earnings (as well as other foreign earnings for all periods) are considered to be indefinitely reinvested outside of the United States. While we have no plans to do so, events may occur that could effectively force us to change our intent not to repatriate such earnings. If we change our intent and repatriate such earnings, we will have to accrue taxes associated with such earnings at a substantially higher rate than our effective income tax rate in 2012. These increased taxes could have a material adverse effect on our business, results of operations and financial condition.

Our earnings may be negatively impacted by the loss of certain tax benefits provided by India to companies in our industry as well as by proposed tax legislation in India.

Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the Indian government for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years. Changes in Indian tax laws that would reduce or deny SEZ tax benefits could have a material adverse effect on our business, results of operations and financial condition. In addition, all Indian profits, including those generated within SEZs, are subject to the MAT, at the current rate of approximately 20.0%. Any MAT paid is creditable against future corporate income tax, subject to limitations. Currently, we anticipate utilizing our existing MAT balances against future corporate income tax. Our ability to fully do so may be influenced by possible changes to the Indian tax laws as well as the future financial results of Cognizant India. Our inability to fully utilize our deferred income tax assets related to the MAT could have a material adverse effect on our business, results of operations and financial condition.

Our earnings and financial condition may be negatively impacted by certain tax related matters.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. The provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors including, but not limited to, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws, regulations, accounting principles or interpretations thereof, which could adversely impact our results of operations and financial condition in future periods. In addition, our income tax returns are subject to examination in the jurisdictions in which we operate. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. An unfavorable outcome of one or more of these examinations may have an adverse effect on our business, results of operations and financial condition.

If our pricing structures are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, then our contracts could be unprofitable.

We negotiate pricing terms with our clients utilizing a range of pricing structures and conditions. We predominantly contract to provide services either on a time-and-materials basis or on a fixed-price basis. Our pricing is highly dependent on our internal forecasts and predictions about our projects and the marketplace, which might be based on limited data and could turn out to be inaccurate. If we do not accurately estimate the costs and timing for completing projects, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. We face a number of risks when pricing our contracts, as many of our projects entail

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the coordination of operations and workforces in multiple locations and utilizing workforces with different skill sets and competencies across geographically diverse service locations. Our pricing, cost and profit margin estimates for the work that we perform frequently include anticipated long-term cost savings from transformational and other initiatives that we expect to achieve and sustain over the life of the contract. There is a risk that we will underprice our projects, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. In particular, any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of this work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable, which could have an adverse effect on our profit margin.

In addition, a significant portion of our projects are on a fixed-price basis, subjecting us to the foregoing risks to an even greater extent. Fixed-price contracts accounted for approximately 33.1% of our revenues for the year ended December 31, 2012. We expect that an increasing number of our future projects will be contracted on a fixed-price basis. In addition to the other risks described in the paragraph above, we bear the risk of cost over-runs and operating cost inflation in connection with projects covered by fixed-price contracts. Our failure to estimate accurately the resources and time required for a fixed-price project, or our failure to complete our contractual obligations within the time frame committed, could have a material adverse effect on our business, results of operations and financial condition.

Our profitability could suffer if we are not able to maintain favorable pricing rates.

Our profit margin, and therefore our profitability, is dependent on the rates we are able to recover for our services. If we are not able to maintain favorable pricing for our services, our profit margin and our profitability could suffer. The rates we are able to recover for our services are affected by a number of factors, including:

- our clients' perceptions of our ability to add value through our services;
- competition;
- introduction of new services or products by us or our competitors;
- our competitors' pricing policies;
- our ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over increasingly longer contract periods;
- bid practices of clients and their use of third-party advisors;
- the use by our competitors and our clients of offshore resources to provide lower-cost service delivery capabilities;
- our ability to charge premium prices when justified by market demand or the type of service; and
- general economic and political conditions.

Our profitability could suffer if we are not able to maintain favorable utilization rates.

The cost of providing our services, including the utilization rate of our professionals, affects our profitability. If we are not able to maintain an appropriate utilization rate for our professionals, our profit margin and our profitability may suffer. Our utilization rates are affected by a number of factors, including:

- our ability to efficiently transition employees from completed projects to new assignments;
- our ability to hire and assimilate new employees;
- our ability to accurately forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;

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- our ability to effectively manage attrition; and
- our need to devote time and resources to training, professional development and other non-chargeable activities.

If we do not continue to improve our operational, financial and other internal controls and systems to manage our rapid growth and size or if we are unable to enter, operate and compete effectively in new geographic markets, our business may suffer and the value of our stockholders' investment in our Company may be harmed.

Our anticipated growth will continue to place significant demands on our management and other resources. Our growth will require us to continue to develop and improve our operational, financial and other internal controls in the United States, Europe, India and elsewhere. In particular, our continued growth will increase the challenges involved in:

- recruiting, training and retaining technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires;
- maintaining high levels of client satisfaction;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- preserving our culture, values and entrepreneurial environment; and
- effectively managing our personnel and operations and effectively communicating to our personnel worldwide our core values, strategies and goals.

In addition, the increasing size and scope of our operations increase the possibility that a member of our personnel will engage in unlawful or fraudulent activity, breach our contractual obligations, or otherwise expose us to unacceptable business risks, despite our efforts to train our people and maintain internal controls to prevent such instances. If we do not continue to develop and implement the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.

As part of our growth strategy, we plan to continue expanding our operations in Europe, Asia, the Middle East, and Latin America. We may not be able to compete effectively in these markets and the cost of entering these markets may be substantially greater than we expect. If we fail to compete effectively in the new markets we enter, or if the cost of entering those markets is substantially greater than we expect, our business, results of operations and financial condition could be adversely affected. In addition, if we cannot compete effectively, we may be required to reconsider our strategy to invest in our international expansion plans and change our intent on the repatriation of our earnings.

Our operating results may experience significant quarterly fluctuations.

Historically, we have experienced significant quarterly fluctuations in our revenues and results of operations and expect these fluctuations to continue. Among the factors causing these variations have been:

- the nature, number, timing, scope and contractual terms of the projects in which we are engaged;
- delays incurred in the performance of those projects;
- the accuracy of estimates of resources and time required to complete ongoing projects; and
- general economic conditions.

In addition, our future revenues, operating margins and profitability may fluctuate as a result of:

- changes in pricing in response to customer demand and competitive pressures;

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- changes to the financial condition of our clients;
- the mix of on-site and offshore staffing;
- the ratio of fixed-price contracts versus time-and-materials contracts;
- employee wage levels and utilization rates;
- changes in foreign exchange rates, including the Indian rupee versus the U.S. dollar;
- the timing of collection of accounts receivable;
- enactment of new taxes;
- changes in domestic and international income tax rates and regulations; and
- changes to levels and types of stock-based compensation awards and assumptions used to determine the fair value of such awards.

A high percentage of our operating expenses, particularly personnel and rent, are relatively fixed in advance of any particular period. As a result, unanticipated variations in the number and timing of our projects or in employee wage levels and utilization rates may cause significant variations in our operating results in any particular period, and could result in losses. Any significant shortfall of revenues in relation to our expectations, any material reduction in utilization rates for our professional staff or variance in the on-site/offshore staffing mix, an unanticipated termination of a major project, a customer's decision not to pursue a new project or proceed to succeeding stages of a current project or the completion of several major customer projects during a quarter could require us to pay underutilized employees and could therefore have a material adverse effect on our business, results of operations and financial condition.

As a result of these factors, it is possible that in some future periods, our revenues and operating results may be significantly below the expectations of public market analysts and investors. In such an event, the price of our common stock would likely be materially and adversely affected.

We could be held liable for damages or our reputation could be damaged by disclosure of confidential information or personal data, security breaches or system failures.

We are dependent on information technology networks and systems to process, transmit and securely store electronic information and to communicate among our locations around the world and with our clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information or data, including personal data. In addition, many of our engagements involve projects that are critical to the operations of our customers' businesses and provide benefits that are difficult to quantify. The theft and/or unauthorized use or publication of our, or our clients', confidential information or other proprietary business information as a result of such an incident could adversely affect our competitive position and reduce marketplace acceptance of our services. Any failure in the networks or computer systems used by us or our customers could result in a claim for substantial damages against us and significant reputational harm, regardless of our responsibility for the failure. Although we attempt to limit by contract our liability for damages arising from negligent acts, errors, mistakes or omissions in rendering our services, we cannot assure you that any such damages are subject to a contractual limitation or that any such contractual limitations on liability will be enforceable or will otherwise protect us from liability for damages.

In addition, we often have access to or are required to manage, utilize, collect and store sensitive or confidential client or employee data, including nonpublic personal data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our employees, negligently disregards or intentionally breaches controls or procedures with which we are responsible for complying with respect to

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such data or otherwise mismanages or misappropriates that data, or if unauthorized access to or disclosure of data in our possession or control occurs, we could be subject to significant liability to our clients or our clients' customers for breaching contractual confidentiality and security provisions or privacy laws, as well as liability and penalties in connection with any violation of applicable privacy laws and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through breach of computer systems, systems failure, employee negligence, fraud or misappropriation, or otherwise, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems and networks or those we develop or manage for our clients, whether by our employees or third parties, could result in negative publicity, legal liability and damage to our reputation.

Although we have general liability insurance coverage, including coverage for errors or omissions, there can be no assurance that coverage will continue to be available on reasonable terms or will be sufficient in amount to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations and financial condition.

Our business could be negatively affected if we incur legal liability, including with respect to our contractual obligations, in connection with providing our solutions and services.

If we fail to meet our contractual obligations or otherwise breach obligations to our clients, we could be subject to legal liability. We may enter into non-standard agreements because we perceive an important economic opportunity by doing so or because our personnel did not adequately adhere to our guidelines. In addition, the contracting practices of our competitors may cause contract terms and conditions that are unfavorable to us to become standard in the marketplace. If we cannot or do not perform our obligations, we could face legal liability and our contracts might not always protect us adequately through limitations on the scope and/or amount of our potential liability. If we cannot, or do not, meet our contractual obligations to provide solutions and services, and if our exposure is not adequately limited through the enforceable terms of our agreements, we might face significant legal liability and our business could be adversely affected.

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to hold the indemnified party and certain of their affiliated entities harmless with respect to third-party claims related to such matters as our breach of certain representations or covenants, or out of our intellectual property infringement, our gross negligence or willful misconduct or certain other claims made against certain parties. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is not possible to determine the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Historically, we have not made payments under these indemnification agreements so they have not had any impact on our operating results, financial position, or cash flows. However, if events arise requiring us to make payment for indemnification claims under our indemnification obligations in contracts we have entered, such payments could have a material impact on our operating results, financial position, and cash flows.

We could incur liability or our reputation could be damaged if our provision of services and solutions to our clients contributes to our clients' internal control deficiencies.

Our clients may perform audits or require us to perform audits and provide audit reports with respect to the controls and procedures that we use in the performance of services for such clients, especially when we process data belonging to them. Our ability to acquire new clients and retain existing clients may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an unqualified

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opinion, with respect to our controls and procedures in connection with any such audit in a timely manner. Additionally, we could incur liability if our controls and procedures, or the controls and procedures we manage for a client, were to result in internal controls failures or impair our client's ability to comply with its own internal control requirements.

We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and harm our business.

Our future success will depend, in part, on our ability to protect our proprietary methodologies and other valuable intellectual property. We presently hold no issued patents or registered copyrights, however, we have filed patent applications and we intend to file additional patent applications. There is no guarantee that any patents will be granted in the United States or in any other country we may seek protection or that they will serve as a barrier from competition from other organizations. Additionally, the protection afforded by international patent laws as well as the enforcement actions differ from country to country. There is no guarantee that we will be able to maintain adequate protection or enforcement of our intellectual property rights.

We also rely upon a combination of copyright and trade secret laws, non-disclosure and related contractual arrangements, and other security measures to protect our intellectual property rights. Existing laws of some countries in which we provide services or solutions, such as China, might offer only limited protection of our intellectual property rights. India is a member of the Berne Convention, and has agreed to recognize protections on copyrights conferred under the laws of foreign countries, including the laws of the United States. We believe that laws, rules, regulations and treaties in effect in the United States, India and other countries in which we operate are adequate to protect us from misappropriation or unauthorized use of our intellectual property. However, there can be no assurance that these laws will not change in ways that may prevent or restrict the transfer of software components, libraries and toolsets and other technology or data we use in the performance of our services among the countries in which we operate and provide services. There can be no assurance that the steps we have taken to protect our intellectual property rights will be adequate to deter misappropriation of any of our intellectual property, or that we will be able to detect unauthorized use and take appropriate steps to enforce our rights. Enforcing our rights might also require considerable time, money and oversight.

Unauthorized use of our intellectual property may result in development of technology, products or services that compete with our products and services and unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. If we are unable to protect our intellectual property, our business may be adversely affected and our ability to compete may be impaired.

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed or used in connection with a contract than we normally do. In certain situations, we might forego all rights to the use of intellectual property we create and intend to reuse across multiple client engagements, which would limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

Our ability to enforce our software license agreements, service agreements, and other intellectual property rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. To the extent that we seek to enforce our rights, we could be subject to claims that an intellectual property right is invalid, otherwise not enforceable, or is licensed to the party against whom we are pursuing a claim. In addition, our assertion of intellectual property rights may result in the other party seeking to assert alleged intellectual property rights or assert other claims against us, which could harm our business. If we are not successful in defending such claims in litigation, we may not be able to sell or license a particular service or solution due to an injunction, or we may have to pay damages that could, in turn, harm our results of operations. In addition, governments may adopt regulations, or courts may render decisions, requiring compulsory licensing of intellectual property to others, or governments may require that products meet specified

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standards that serve to favor local companies. Our inability to enforce our intellectual property rights under these circumstances may harm our competitive position and our business.

Our services or solutions could infringe upon the intellectual property rights of others and we may be subject to claims of infringement of third-party intellectual property rights.

We cannot be sure that our services and solutions, or the solutions of others that we offer to our clients, do not infringe on the intellectual property rights of others. Third parties may assert against us or our customers claims alleging infringement of patent, copyright, trademark, or other intellectual property rights to technologies or services that are important to our business. Infringement claims could harm our reputation, cost us money and prevent us from offering some services or solutions. In our contracts, we generally agree to indemnify our clients for certain expenses or liabilities resulting from potential infringement of the intellectual property rights of third parties. In some instances, the amount of our liability under these indemnities could be substantial. Any claims that our products, services or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, may result in significant costs in defending and resolving such claims, and may divert the efforts and attention of our management and technical personnel from our business. In addition, as a result of such intellectual property infringement claims, we could be required or otherwise decide that it is appropriate to:

- pay third-party infringement claims;
- discontinue using, licensing, or selling particular products subject to infringement claims;
- discontinue using the technology or processes subject to infringement claims;
- develop other technology not subject to infringement claims, which could be costly or may not be possible; and/or
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms.

The occurrence of any of the foregoing could result in unexpected expenses or require us to recognize an impairment of our assets, which would reduce the value of our assets and increase expenses. In addition, if we alter or discontinue our offering of affected items or services, our revenue could be affected. If a claim of infringement were successful against us or our clients, an injunction might be ordered against our client or our own services or operations, causing further damages.

We expect that the risk of infringement claims against us will increase if our competitors are able to obtain patents and other intellectual property rights for software products and methods, technological solutions, and processes. We may be subject to intellectual property infringement claims from certain individuals and companies who have acquired patent portfolios for the primary purpose of asserting such claims against other companies. The risk of infringement claims against us may also increase as we continue to develop and license our intellectual property to our clients and other third parties. Any infringement claim or litigation against us could have a material adverse effect on our business, results of operations and financial condition.

We might lose our ability to utilize the intellectual property of others, which could harm our business.

We could lose our ability, or be unable to secure the right, to utilize the intellectual property of others. Third-party suppliers of software, hardware or other intellectual property assets could be unwilling to permit us to use their intellectual property and this could impede or disrupt use of their products or services by us and our clients. If our ability to provide services and solutions to our clients is impaired as a result of any such denial, our operating results could be adversely affected.

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We may not be able to successfully acquire target companies or integrate acquired companies or technologies into our company, and we may become subject to certain liabilities assumed or incurred in connection with our acquisitions that could harm our operating results.

If we are unable to complete the number and kind of acquisitions for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services. We expect to continue pursuing strategic acquisition and joint venture opportunities designed to enhance our capabilities, expand our capacity and geographic presence and/or enter new technology areas. We cannot predict or guarantee that we will successfully identify suitable acquisition candidates or consummate any acquisition or joint venture. We may need to divert and/or dedicate management and other resources to complete the transactions. Once we have consummated an acquisition transaction or entered into a joint venture transaction, we may not be able to integrate the acquired business or joint venture (and personnel) into our operations, recognize anticipated efficiencies and/or benefits, realize our strategic objectives or achieve the desired financial and operating results, in each case, both generally and as a result of our unique organizational structure. Acquisitions and joint ventures involve a number of special risks, including diversion of management's attention, failure to retain key personnel and the potential assumption or incurrence of liabilities and/or obligations.

Although we conduct due diligence in connection with each of our acquisitions, there may be liabilities that we fail to discover, that we inadequately assess in our due diligence efforts or that are not properly disclosed to us. In particular, to the extent that any acquired business (or any properties thereof) (i) failed to comply with or otherwise violated applicable laws or regulations, (ii) failed to fulfill contractual obligations to customers or (iii) incurred material liabilities or obligations to customers that are not identified during the diligence process, we, as the successor owner, may be financially responsible for these violations, failures and liabilities and may suffer financial and/or reputational harm or otherwise be adversely affected. In addition, as part of an acquisition, we may assume responsibilities and obligations of the acquired business pursuant to the terms and conditions of services agreements entered by the acquired entity that are not consistent with the terms and conditions that we typically accept and require. Although we attempt to structure acquisitions in such a manner as to minimize our exposure to, among other things, the factors and conditions contemplated by the foregoing two sentences (including through indemnification protection), we cannot predict or guarantee that our efforts will be effective or will protect us from liability. The discovery of any material liabilities associated with our acquisitions for which we are unable to recover indemnification amounts could harm our operating results.

System failure or disruptions in communications could disrupt our business and result in lost customers and curtailed operations which would reduce our revenue and profitability.

To deliver our services to our customers, we must maintain a high speed network of satellite, fiber optic and land lines and active voice and data communications twenty-four hours a day between our main operating offices in Chennai, our other development and delivery centers and the offices of our customers worldwide. Although we maintain redundancy facilities and satellite communications links, any systems failure or a significant lapse in our ability to transmit voice and data through satellite and telephone communications could result in lost customers and curtailed operations which would reduce our revenue and profitability.

Consolidation in the industries that we serve could adversely affect our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our current clients merge or consolidate and combine their operations, it may decrease the amount of work that we perform for these clients. If one of our current clients merges or consolidates with a company that relies on another provider for its consulting, systems integration and technology, or outsourcing services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could adversely affect our business.

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Our ability to attract and retain business may depend on our reputation in the marketplace.

Our services are marketed to clients and prospective clients based on a number of factors. Since many of our specific client engagements involve unique services and solutions, our corporate reputation is a significant factor in our clients' evaluation of whether to engage our services. We believe the Cognizant brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented employees. However, our corporate reputation is potentially susceptible to damage by actions or statements made by current or former clients, competitors, vendors, adversaries in legal proceedings, government regulators, former and current employees and personnel as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Cognizant brand name and could reduce investor confidence in us, adversely affecting our share price.

Provisions in our charter, by-laws and stockholders' rights plan and provisions under Delaware law may discourage unsolicited takeover proposals.

Provisions in our charter and by-laws, each as amended, our stockholders' rights plan and Delaware General Corporate Law, or DGCL, may have the effect of deterring unsolicited takeover proposals or delaying or preventing changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then-current market prices. In addition, these documents and provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. Our board of directors has the authority, without further action by the stockholders, to fix the rights and preferences, and issue shares of preferred stock. Our charter provides for a classified board of directors, which will prevent a change of control of our board of directors at a single meeting of stockholders. The prohibition of our stockholders' ability to act by written consent and the restrictions imposed on our stockholders' ability to call a special meeting may have the effect of delaying stockholder actions until annual meetings or until a special meeting is called by our chairman or chief executive officer or our board of directors. The supermajority-voting requirement for specified amendments to our charter and by-laws allows a minority of our stockholders to block those amendments. The DGCL also contains provisions preventing stockholders from engaging in business combinations with us, subject to certain exceptions. These provisions could also discourage bids for our common stock at a premium as well as create a depressive effect on the market price of the shares of our common stock.

New and changing corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, other SEC regulations, and the NASDAQ Global Select Market rules, are creating uncertainty for companies like ours. These laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal controls over financial reporting, remediate any control deficiencies that may be identified, and validate through testing that our controls are functioning as documented. While we do not anticipate any material weaknesses, the inability of management and our independent auditor to

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provide us with an unqualified report as to the adequacy and effectiveness, respectively, of our internal controls over financial reporting for future year ends could result in adverse consequences to us, including, but not limited to, a loss of investor confidence in the reliability of our financial statements, which could cause the market price of our stock to decline.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

Our share price could be adversely affected if we are unable to maintain effective internal controls.

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our stockholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls to ensure the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis, or be unable to properly report on our business and the results of our operations, and the market price of our securities could be materially adversely affected.

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Recent turmoil in the financial markets has adversely affected economic activity in the United States, Europe and other regions of the world in which we do business. We believe that based on our current cash, cash equivalents and investment balances and expected operating cash flows, the current lack of liquidity in the credit markets will not have a material impact on our liquidity, cash flow or financial flexibility. Continued deterioration of the credit and capital markets could result in volatility of our investment earnings and impairments to our investment portfolio, which could negatively impact our financial condition and reported income. The continued decline in economic activity could adversely affect the ability of counterparties to certain financial instruments such as marketable securities and derivatives to meet their obligations to us.

Our stock price continues to be volatile.

Our stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to these companies' operating performance. Furthermore, we believe our stock price should reflect future growth and profitability expectations and, if we fail to meet these expectations, our stock price may significantly decline.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

To support our planned growth, we are continually expanding our development and delivery center capacity through the construction of new facilities, supplemented by additional leasing of non-owned facilities. Below is a summary of development and delivery facilities in India, China, the Philippines and Singapore and our executive office in Teaneck, New Jersey as of December 31, 2012.

<u>Location</u>	<u>Number of Locations</u>	<u>Square Footage Leased</u>	<u>Square Footage Owned</u>	<u>Total Square Footage</u>
<i>India:</i>				
Chennai	12	2,450,185	5,041,307	7,491,492
Pune	5	1,547,930	343,703	1,891,633
Bangalore	5	2,055,577	225,000	2,280,577
Kolkata	6	944,410	827,727	1,772,137
Hyderabad	7	2,256,374	—	2,256,374
Coimbatore	3	173,641	725,611	899,252
Cochin	2	251,139	—	251,139
Mumbai	3	330,665	—	330,665
Gurgaon	4	188,080	—	188,080
Mangalore	1	42,760	—	42,760
Shanghai, China	3	100,500	—	100,500
Manila, the Philippines	4	146,497	—	146,497
Singapore City	2	33,786	—	33,786
Total	57	10,521,544	7,163,348	17,684,892
Executive Office: Teaneck	1	96,107	—	96,107

We operate out of our Teaneck, New Jersey headquarters and our regional and international offices. We have business development offices located in metropolitan areas including in North and Latin America: Boston (MA), Bridgewater (NJ), Buenos Aires, Chicago (IL), Dallas (TX), Knoxville (TN), Los Angeles (CA), Phoenix (AZ), San Francisco (CA), Sao Paulo, Tampa (FL), and Toronto; in Europe: Amsterdam, Basel, Brussels, Copenhagen, Dublin, Frankfurt, Geneva, Helsinki, London, Lyon, Madrid, Oslo, Paris, Prague, Stockholm, and Zurich; in the Middle East: Dubai, and Riyadh; and in the Asia Pacific region: Auckland, Bangkok, Brisbane, Chennai, Hong Kong, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Sydney, Singapore, Tokyo, and Wellington.

In addition to the locations included in the above table, we operate development and delivery facilities in North and Latin America: Bentonville (AR), Boston (MA), Bridgewater (NJ), Buenos Aires, Chicago (IL), Detroit (MI), Des Moines (IA), Guadalajara, Minot (ND), Phoenix (AZ), Sao Paulo, Tampa (FL) and Toronto; in Europe: Amsterdam, Budapest, Grenoble, Eindhoven, Heidelberg and London. We also have several training facilities strategically located near or within our main offices and development and delivery centers.

We believe that our current facilities are adequate to support our existing operations. We also believe that we will be able to obtain suitable additional facilities on commercially reasonable terms on an "as needed basis." The above properties are used to provide services across all four of our business segments.

Item 3. Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of such claims and legal actions, if decided adversely, is not expected to have a material adverse effect on our quarterly or annual operating results, cash flows or consolidated financial position.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock trades on the NASDAQ Global Select Market (NASDAQ) under the symbol "CTSH".

The following table shows the per share range of high and low sale prices for shares of our Class A common stock, as listed for quotation on the NASDAQ, for the quarterly periods indicated.

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>
March 31, 2011	\$ 81.85	\$ 70.53
June 30, 2011	\$ 83.48	\$ 64.40
September 30, 2011	\$ 77.71	\$ 53.54
December 31, 2011	\$ 77.44	\$ 59.95
March 31, 2012	\$ 78.00	\$ 64.92
June 30, 2012	\$ 77.85	\$ 55.25
September 30, 2012	\$ 71.45	\$ 53.92
December 31, 2012	\$ 74.87	\$ 64.20

As of December 31, 2012, the approximate number of holders of record of our Class A common stock was 171 and the approximate number of beneficial holders of our Class A common stock was 38,800.

Dividends

We have never declared or paid cash dividends on our Class A common stock. We currently intend to retain any future earnings to finance the growth of our business and, therefore, do not currently anticipate paying any cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

From December 2010 through December 2012, our Board of Directors authorized \$1.0 billion in funds for repurchases of Cognizant's outstanding shares of Class A common stock, excluding fees and expenses. The program authorizes management to repurchase shares in the open market or in private transactions from time to time, depending on market conditions and expires on December 31, 2013.

During the three months ended December 31, 2012, we repurchased approximately \$25.9 million of our Class A common stock under our stock repurchase program. Stock repurchases were funded from working capital.

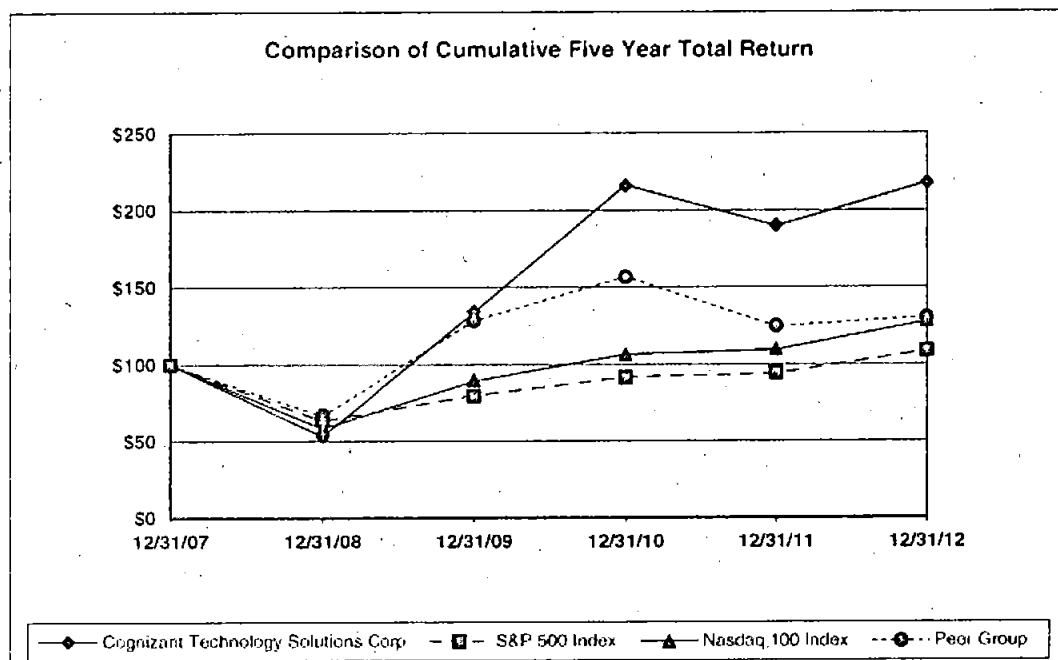
<u>Month</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in thousands)</u>
October 1, 2012 – October 31, 2012	—	\$ —	—	\$ 159,584
November 1, 2012 – November 30, 2012	398,120	\$65.17	398,120	\$ 133,639
December 1, 2012 – December 31, 2012	—	\$ —	—	\$ 133,639
Total	<u>398,120</u>	<u>\$65.17</u>	<u>398,120</u>	<u>\$ 133,639</u>

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Performance Graph

The following graph compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the NASDAQ-100 Index, S&P 500 Index and a Peer Group Index (capitalization weighted) for the period beginning December 31, 2007 and ending on the last day of our last completed fiscal year. The stock performance shown on the graph below is not indicative of future price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN⁽¹⁾⁽²⁾ Among Cognizant, the NASDAQ-100 Index, the S&P 500 Index And a Peer Group Index⁽³⁾ (Capitalization Weighted)



Company / Index	Base Period 12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
COGNIZANT TECHNOLOGY SOLUTIONS CORP	100	53.21	133.56	215.94	189.48	217.69
S&P 500 INDEX	100	63.00	79.67	91.68	93.61	108.59
NASDAQ-100	100	58.11	89.23	106.38	109.25	127.63
PEER GROUP	100	66.47	128.45	156.80	124.24	130.61

- (1) Graph assumes \$100 invested on December 31, 2007 in our Class A common stock, the NASDAQ-100 Index, the S&P 500 Index, and the Peer Group Index (capitalization weighted).
- (2) Cumulative total return assumes reinvestment of dividends.
- (3) We have constructed a Peer Group Index of other information technology consulting firms consisting of Accenture Ltd., Computer Sciences Corporation, Computer Task Group, Inc., Exlservice Holdings Inc, Genpact Ltd Inc., iGate Corp., Infosys Technologies Ltd., Sapient Corp., Syntel, Inc., Wipro Ltd. and WNS Holdings LTD. In 2012, we removed Satyam Computer Services Ltd. from our peer group because it was delisted from the New York Stock Exchange on March 16, 2012.

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Item 6. Selected Financial Data

The following table sets forth our selected consolidated historical financial data as of the dates and for the periods indicated. Our selected consolidated financial data set forth below as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 have been derived from the audited financial statements included elsewhere herein. Our selected consolidated financial data set forth below as of December 31, 2010, 2009 and 2008 and for each of the years ended December 31, 2009 and 2008 are derived from our audited consolidated financial statements not included elsewhere herein. Our selected consolidated financial information for 2012, 2011 and 2010 should be read in conjunction with the Consolidated Financial Statements and the Notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" which are included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Consolidated Operations Data:					
Revenues	\$ 7,346,472	\$ 6,121,156	\$ 4,592,389	\$ 3,278,663	\$ 2,816,304
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	4,278,241	3,538,622	2,654,569	1,849,443	1,572,816
Selling, general and administrative expenses	1,557,646	1,328,665	972,093	721,359	652,021
Depreciation and amortization expense	149,089	117,401	103,875	89,371	74,797
Income from operations	1,361,496	1,136,468	861,852	618,490	516,670
Other income (expense), net:					
Interest income	44,514	39,249	25,793	15,895	22,188
Other, net	(18,414)	(6,568)	(9,065)	2,566	(23,648)
Total other income (expense), net	26,100	32,681	16,728	18,461	(1,460)
Income before provision for income taxes	1,387,596	1,169,149	878,580	636,951	515,210
Provision for income taxes	336,333	285,531	145,040	101,988	84,365
Net income	\$ 1,051,263	\$ 883,618	\$ 733,540	\$ 534,963	\$ 430,845
Basic earnings per share	\$ 3.49	\$ 2.91	\$ 2.44	\$ 1.82	\$ 1.49
Diluted earnings per share	\$ 3.44	\$ 2.85	\$ 2.37	\$ 1.78	\$ 1.44
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —
Weighted average number of common shares outstanding-Basic	301,291	303,277	300,781	293,304	290,121
Weighted average number of common shares outstanding-Diluted	305,861	310,351	309,137	301,115	298,940
Consolidated Financial Position Data:					
Cash, cash equivalents and short term investments	\$ 2,863,758	\$ 2,432,264	\$ 2,226,388	\$ 1,399,332	\$ 762,579
Long-term investments	—	—	—	151,131	161,693
Long-term obligations:					
Deferred income tax liabilities, net	2,777	3,339	4,946	—	7,294
Other noncurrent liabilities	287,081	342,003	62,971	38,455	14,111
Working capital	3,436,964	2,875,801	2,587,508	1,660,960	1,080,542
Total assets	6,521,571	5,507,933	4,583,074	3,338,240	2,374,560
Stockholders' equity	4,854,383	3,952,886	3,584,431	2,653,177	1,965,578

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

In 2012, our revenues increased to \$7,346.5 million compared to \$6,121.2 million in 2011. Net income increased to \$1,051.3 million or \$3.44 per diluted share, including stock-based compensation expense, net of tax, equal to \$0.26 per diluted share during 2012. This is compared to net income of \$883.6 million, or \$2.85 per diluted share, including stock-based compensation expense, net of tax, equal to \$0.22 per diluted share during 2011. The key drivers of our revenue growth in 2012 were as follows:

- Strong performance across all of our business segments, particularly our Manufacturing/Retail/Logistics, Financial Services and Healthcare business segments, which reported revenue growth of 25.2%, 20.5%, and 19.3%, respectively, compared to 2011;
- Continued strength in the North America market where revenues grew 21.5% or \$1,033.3 million compared to 2011;
- Increased customer spending on discretionary projects;
- Expansion of our service offerings, including IT IS and BPO services, which enabled us to cross-sell new services to our customers and meet the rapidly growing demand for complex large-scale outsourcing solutions;
- Increased penetration at existing customers, including strategic clients; and
- Continued expansion of the market for global delivery of IT services and business process outsourcing.

We saw a continued demand from our customers for a broad range of IT solutions, including application maintenance, complex systems development engagements, testing, ERP, infrastructure management, BPO, and business intelligence. We finished the year with approximately 821 active clients compared to approximately 785 as of December 31, 2011 and increased the number of strategic clients by 23 during the year bringing the total number of our strategic clients to 214. We define a strategic client as one offering the potential to generate at least \$5 million to \$50 million or more in annual revenues at maturity. Our top five and top ten customers accounted for 14.0% and 25.0%, respectively, of our total revenues in 2012 as compared to 16.3% and 27.7%, respectively, for the year ended December 31, 2011. As we continue to add new customers and increase our penetration at existing customers, we expect the percentage of revenues from our top five and top ten customers to decline over time.

Our revenue growth is also attributed to increasing market acceptance of, and strong demand for, offshore IT software and services and business process outsourcing. NASSCOM (India's National Association of Software and Service Companies) reports indicate that export revenues from India's IT software and services and business process outsourcing sectors are expected to meet the lower-end of its growth guidance and at least achieve a double digit growth for NASSCOM'S fiscal year 2013. According to NASSCOM'S "Perspective 2020: Transform Business, Transform India" report, global changes and new megatrends within economic, demographic, business, social and environmental areas are set to expand the outsourcing industry by creating new dynamics and opportunities and are expected to result in export revenues of \$175 billion by 2020.

Our revenue from European customers increased by 8.9% to approximately \$1,195.5 million in 2012 compared to approximately \$1,097.5 million in 2011. Revenue from Europe, excluding the UK, increased by approximately \$31.9 million from approximately \$398.6 million in 2011 to approximately \$430.6 million in 2012 and revenue from the UK increased by approximately \$66.1 million from approximately \$698.9 million in 2011 to approximately \$764.9 million in 2012. We believe that Europe, the Middle East and the Asia Pacific regions, particularly Japan, India, Australia and Singapore, will continue to be areas of significant investment for us as we see these regions as growth opportunities for the long term.

In 2012, our operating margin decreased slightly to 18.5% compared to 18.6% in 2011. Excluding stock-based compensation expense of approximately \$107.4 million, operating margin in 2012 was 20.0%. This was

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within our historic targeted operating margin range, excluding stock-based compensation costs, of 19% to 20% of total revenues. The slight decrease in operating margin was primarily due to continued investments to grow our business partially offset by the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, net of the impact of our cash flow hedge losses, and economies of scale driven by increased revenues that resulted from our expanded sales and marketing activities in the current and prior years that allowed us to leverage our cost structure over a larger organization. Historically, we have invested our profitability above the 19% to 20% operating margin level, which excludes stock-based compensation, back into our business, which we believe is a significant contributing factor to our strong revenue growth. This investment is primarily focused in the areas of hiring client partners and relationship personnel with specific industry experience or domain expertise, training our technical staff in a broader range of service offerings, strengthening our business analytics capabilities, strengthening and expanding our portfolio of services; continuing to expand our geographic presence for both sales and delivery as well as recognizing and rewarding exceptional performance by our employees. In addition, this investment includes maintaining a level of resources, trained in a broad range of service offerings, to be well positioned to respond to our customer requests to take on additional projects. For the year ending December 31, 2013, we expect to continue to invest amounts in excess of our targeted operating margin levels back into the business.

We finished the year with approximately 156,700 employees, which is an increase of approximately 19,000 over the prior year. The increase in the number of our technical personnel and the related infrastructure costs to meet the demand for our services is the primary driver of the increase in our operating expenses in 2012. Annualized turnover, including both voluntary and involuntary, was approximately 10.7% for 2012. The majority of our turnover occurs in India. As a result, annualized attrition rates on-site at clients are below our global attrition rate. In addition, attrition is weighted towards the more junior members of our staff. We have experienced increases in compensation and benefit costs, including incentive-based compensation costs, in India which may continue in the future; however, historically, this has not had a material impact on our results of operations as we have been able to absorb such cost increases through price increases or cost management strategies such as managing discretionary costs, the mix of our professional staff as well as utilization levels, and achieving other operating efficiencies.

Our current India real estate development program includes planned construction of 10.5 million square feet of new space between 2011 and the end of 2015. This program includes the expenditure of over \$700.0 million during this period on land acquisition, facilities construction and furnishings to build new company-owned state-of-the-art development and delivery centers in regions primarily designated as Special Economic Zones, or SEZs, located in India. During 2013, we expect to spend approximately \$400 million globally for capital expenditures, including the Indian real estate development program.

At December 31, 2012, we had cash, cash equivalents and short-term investments of \$2,863.8 million and working capital of \$3,437.0 million. Accordingly, we do not anticipate any near-term liquidity issues. During 2012, we repurchased approximately \$486.0 million of our Class A common stock under our existing stock repurchase program. Stock repurchases were funded from working capital.

During 2013, barring any unforeseen events, we expect the following factors to affect our business and our operating results:

- Continued focus by customers on directing IT spending towards cost containment projects, such as application maintenance, infrastructure management and BPO;
- Demand from our customers to help them achieve their dual mandate of simultaneously achieving cost savings while investing in innovation;
- Secular changes driven by evolving technologies and regulatory changes;
- Volatility in foreign currency rates; and
- Continued uncertainty in the world economy, particularly in Europe.

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In response to this macroeconomic environment, we plan to:

- Continue to invest in our talent base and new service offerings;
- Partner with our existing customers to garner an increased portion of our customers' overall IT spend by providing innovative solutions;
- Continue our focus on growing our business in Europe, the Middle East and the Asia Pacific region, where we believe there are opportunities to gain market share;
- Continue to increase our strategic customer base across all of our business segments;
- Opportunistically look for acquisitions that may improve our overall service delivery capabilities, expand our geographic presence and/or enable us to enter new areas of technology;
- Continue to focus on operating discipline in order to appropriately manage our cost structure; and
- Continue to locate most of our new development center facilities in tax incentivized areas.

Results of Operations

The following table sets forth, for the periods indicated, certain financial data for the three years ended December 31, 2012:

(Dollars in thousands)

	2012	% of Revenues	2011	% of Revenues	2010	% of Revenues	Increase (Decrease)	
							2012	2011
Revenues	\$ 7,346,472	100.0	\$ 6,121,156	100.0	\$ 4,592,389	100.0	\$ 1,225,316	\$ 1,528,767
Cost of revenues ⁽¹⁾	4,278,241	58.2	3,538,622	57.8	2,654,569	57.8	739,619	884,053
Selling, general and administrative ⁽²⁾	1,557,646	21.2	1,328,665	21.7	972,093	21.2	228,981	356,572
Depreciation and amortization	149,089	2.0	117,401	1.9	103,875	2.3	31,688	13,526
Income from operations	1,361,496	18.5	1,136,468	18.6	861,852	18.8	225,028	274,616
Other income (expense), net	26,100		32,681		16,728		(6,581)	15,953
Provision for income taxes	336,333		285,531		145,040		50,802	140,491
Net income	\$ 1,051,263	14.3	\$ 883,618	14.4	\$ 733,540	16.0	\$ 167,645	\$ 150,078

(1) Includes stock-based compensation expense of \$16,773, \$15,257, and \$13,147 for the years ended December 31, 2012, 2011 and 2010, respectively.

(2) Includes stock-based compensation expense of \$90,582, \$74,975, and \$43,837 for the years ended December 31, 2012, 2011 and 2010, respectively.

The following table includes non-GAAP income from operations, excluding stock-based compensation, a measure defined by the Securities and Exchange Commission as a non-GAAP financial measure. This non-GAAP financial measure is not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, this non-GAAP measure should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of Cognizant's GAAP financial measures to the corresponding non-GAAP measures should be carefully evaluated.

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We seek to manage the company to a targeted operating margin, excluding stock-based compensation expense, of 19% to 20% of revenues. Accordingly, we believe that non-GAAP income from operations, excluding stock-based compensation expense, is a meaningful measure for investors to evaluate our financial performance. We believe providing investors with an operating view consistent with how we manage the company provides enhanced transparency into the operating results of the company. For our internal management reporting and budgeting purposes we use financial statements that do not include stock-based compensation expense for financial and operational decision making to evaluate period-to-period comparisons and for making comparisons of our operating results to that of our competitors. Moreover, because of varying available valuation methodologies and the variety of award types that companies can use to account for stock-based compensation expense, we believe that providing a non-GAAP financial measure that excludes stock-based compensation expense allows investors to make additional comparisons between our operating results and those of other companies. Accordingly, we believe that the presentation of non-GAAP income from operations when read in conjunction with our reported GAAP income from operations can provide useful supplemental information to our management and to investors regarding financial and business trends relating to our financial condition and results of operations.

A limitation of using non-GAAP income from operations versus income from operations reported in accordance with GAAP is that non-GAAP income from operations excludes stock-based compensation expense, which is recurring. Stock-based compensation expense will continue to be for the foreseeable future a significant recurring expense in our business. In addition, other companies may calculate non-GAAP financial measures differently than us, thereby limiting the usefulness of this non-GAAP financial measure as a comparative tool. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP income from operations to allow investors to evaluate such non-GAAP financial measures with financial measures calculated in accordance with GAAP.

A reconciliation of income from operations as reported and non-GAAP income from operations, excluding stock-based compensation expense, is as follows for the years ended December 31:

(Dollars in thousands)

	<u>2012</u>	<u>% of Revenues</u>	<u>2011</u>	<u>% of Revenues</u>	<u>2010</u>	<u>% of Revenues</u>
Income from operations, as reported	\$1,361,496	18.5	\$1,136,468	18.6	\$861,852	18.8
Add: stock-based compensation expense	107,355	1.5	90,232	1.4	56,984	1.2
Non-GAAP income from operations, excluding stock-based compensation expense	<u>\$1,468,851</u>	20.0	<u>\$1,226,700</u>	20.0	<u>\$918,836</u>	20.0

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue. Revenue increased by 20% or approximately \$1,225.3 million, from approximately \$6,121.2 million during 2011 to approximately \$7,346.5 million in 2012. This increase was primarily attributed to greater acceptance of our global delivery model among an increasing number of industries, continued interest in using our global delivery model as a means to reduce overall IT and operations costs, increased customer spending on discretionary projects, and continued penetration in all our geographic markets. Revenue from customers existing as of December 31, 2011 increased by approximately \$1,088.8 million and revenue from new customers added during 2012 was approximately \$136.5 million or approximately 11.1% of the year over year revenue increase and 1.9% of total revenues for the year ended December 31, 2012. In addition, revenue from our North American, European and Rest of World customers increased in 2012 by \$1,033.3 million, \$98.0 million and \$94.0 million, respectively, as compared to 2011. We had approximately 821 active clients as

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of December 31, 2012 as compared to approximately 785 active clients as of December 31, 2011. In addition, we experienced strong demand across all of our business segments for an increasingly broad range of services. Our Financial Services, Healthcare, and Manufacturing/Retail/Logistics business segments accounted for approximately \$517.0 million, \$312.7 million and \$301.2 million, respectively, of the \$1,225.3 million increase in revenue. Additionally, our consulting and technology services and outsourcing revenues increased by approximately 20.4% and 19.6%, respectively, compared to 2011 and represented approximately 51.1% and 48.9% respectively, of total revenues in 2012. No customer accounted for sales in excess of 10% of revenues during 2012 or 2011.

Cost of Revenues (Exclusive of Depreciation and Amortization Expense). Our cost of revenues consists primarily of salaries, incentive-based compensation, stock-based compensation expense, payroll taxes, employee benefits, immigration and project-related travel for technical personnel, subcontracting and sales commissions related to revenues. Our cost of revenues increased by approximately 20.9% or \$739.6 million from \$3,538.6 million in 2011 to \$4,278.2 million in 2012. The increase was due primarily to an increase in compensation and benefits costs of approximately \$660.3 million, resulting primarily from the increase in the number of our technical personnel, partially offset by the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, net of the impact of our cash flow hedge losses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of salaries, incentive-based compensation, stock-based compensation expense, payroll taxes, employee benefits, travel, promotion, communications, management, finance, administrative and occupancy costs. Selling, general and administrative expenses, including depreciation and amortization, increased by approximately 18.0% or \$260.7 million, from \$1,446.1 million during 2011, to \$1,706.7 million during 2012, and decreased as a percentage of revenue from 23.6% in 2011 to 23.2% in 2012. The decrease as a percentage of revenue was due primarily to the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, net of the impact of our cash flow hedge losses, and economies of scale driven by increased revenues that resulted from our expanded sales and marketing activities in the current and prior years that allowed us to leverage our cost structure over a larger organization, partially offset by investments to grow our business and expenses related to the expansion of our infrastructure to support our revenue growth.

Income from Operations. Income from operations increased approximately 19.8%, or \$225.0 million, from approximately \$1,136.5 million during 2011 to approximately \$1,361.5 million during 2012, representing operating margins of 18.5% of revenues in 2012 and 18.6% of revenues in 2011. The slight decrease in operating margin was primarily due to continued investments to grow our business partially offset by the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, net of the impact of our cash flow hedge losses, and economies of scale driven by increased revenues that resulted from our expanded sales and marketing activities in the current and prior years that allowed us to leverage our cost structure over a larger organization. Excluding the impact of applicable designated cash flow hedges, the depreciation of the Indian rupee against the U.S. dollar positively impacted our operating margin by approximately 355 basis points or 3.55 percentage points. Each additional 1.0% change in the exchange rate between the Indian rupee and the U.S. dollar will have the effect of moving our operating margin by approximately 24 basis points or 0.24 percentage points. Excluding stock-based compensation expense of \$107.4 million and \$90.2 million for 2012 and 2011, respectively, operating margins for each of the two years were 20.0%.

We entered into foreign exchange forward contracts to hedge certain Indian rupee denominated payments in India. These hedges are intended to mitigate the volatility of the changes in the exchange rate between the U.S. dollar and the Indian rupee. During 2012, the settlement of certain cash flow hedges negatively impacted our operating margin by approximately 131 basis points or 1.31 percentage points.

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Other Income (Expense), Net. Total other income (expense), net consists primarily of foreign currency exchange gains and (losses) and interest income. The following table sets forth, for the periods indicated, Total other income (expense), net:

(Dollars in thousands)

	2012	2011	Increase/ (Decrease)
Foreign currency exchange (losses)	\$(11,745)	\$(32,400)	\$20,655
(Losses) gains on foreign exchange forward contracts not designated as hedging instruments	(8,270)	23,621	(31,891)
Net foreign currency exchange (losses)	(20,015)	(8,779)	(11,236)
Interest income	44,514	39,249	5,265
Other, net	1,601	2,211	(610)
Total other income (expense), net	\$26,100	\$32,681	\$ (6,581)

The foreign currency exchange losses of approximately \$11.7 million were primarily attributed to the remeasurement of the Indian rupee net monetary assets on Cognizant India's books to the U.S. dollar functional currency. The \$8.3 million of losses on foreign exchange forward contracts not designated as hedging instruments relate to the realized and unrealized losses on foreign exchange forward contracts entered into primarily to offset foreign currency exposure to Indian rupee denominated net monetary assets. At December 31, 2012, the notional value of our undesignated hedges was \$208.6 million. The \$5.3 million increase in interest income was primarily attributed to higher invested balances.

Provision for Income Taxes. The provision for income taxes increased from approximately \$285.5 million in 2011 to approximately \$336.3 million in 2012. The effective income tax rate decreased slightly from 24.4% in 2011 to 24.2% in 2012. The decrease in our effective income tax rate was primarily attributed to favorable discrete items in 2012 partially offset by the scheduled reduction in 2012 of certain income tax holiday benefits in India.

Net Income. Net income increased from approximately \$883.6 million in 2011 to approximately \$1,051.3 million in 2012, representing 14.4% and 14.3% of revenues, respectively.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenue. Revenue increased by 33.3%, or approximately \$1,528.8 million, from approximately \$4,592.4 million during 2010 to approximately \$6,121.2 million in 2011. This increase was primarily attributed to greater acceptance of our global delivery model among an increasing number of industries, continued interest in using our global delivery model as a means to reduce overall IT costs and increased customer spending on discretionary projects. Revenue from customers existing as of December 31, 2010 increased by approximately \$1,371.3 million and revenue from new customers added during 2011 was approximately \$157.5 million or approximately 10.3% of the year over year revenue increase and 2.6% of total revenues for the year ended December 31, 2011. In addition, revenue from our North American and European customers increased in 2011 by \$1,220.2 million and \$241.9 million, respectively, as compared to 2010. We had approximately 785 active clients as of December 31, 2011 as compared to approximately 712 active clients as of December 31, 2010. In addition, we experienced strong demand across all of our business segments for an increasingly broad range of services. Our Financial Services and Healthcare business segments accounted for approximately \$574.0 million and \$445.0 million, respectively, of the \$1,528.8 million increase in revenue. Additionally, our consulting and technology services and outsourcing revenues increased by approximately 40.7% and 26.4%, respectively, compared to 2010 and represented approximately 50.9% and 49.1%, respectively, of total revenues in 2011. No customer accounted for sales in excess of 10% of revenues during 2011 or 2010.

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Cost of Revenues (Exclusive of Depreciation and Amortization Expense). Our cost of revenues consists primarily of salaries, incentive-based compensation, stock-based compensation expense, payroll taxes, employee benefits, immigration and project-related travel for technical personnel, subcontracting and sales commissions related to revenues. Our cost of revenues increased by approximately 33.3% or \$884.0 million from \$2,654.6 million during 2010 to \$3,538.6 million in 2011. The increase was due primarily to an increase in compensation and benefit costs of approximately \$821.8 million, resulting from the increase in the number of our technical personnel necessary to support our revenue growth.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of salaries, incentive-based compensation, stock-based compensation expense, payroll taxes, employee benefits, travel, promotion, communications, management, finance, administrative and occupancy costs. Selling, general and administrative expenses, including depreciation and amortization, increased by approximately 34.4% or \$370.1 million, from \$1,076.0 million during 2010, to \$1,446.1 million during 2011, and increased as a percentage of revenue from 23.4% in 2010 to 23.6% in 2011. The increase as a percentage of revenue was due primarily to increases in compensation and benefit costs and investments to grow our business, including expanded sales and marketing activities.

Income from Operations. Income from operations increased approximately 31.9%, or \$274.6 million, from approximately \$861.9 million during 2010 to approximately \$1,136.5 million during 2011, representing operating margins of 18.6% of revenues in 2011 and 18.8% of revenues in 2010. The decrease in operating margin was attributed to an increase in compensation and benefit costs and investments to grow our business, including expanded sales and marketing activities. Excluding the impact of applicable designated cash flow hedges, the depreciation of the Indian rupee against the U.S. dollar positively impacted our operating margin by approximately 54 basis points or 0.54 percentage points. Each additional 1.0% change in the exchange rate between the Indian rupee and the U.S. dollar will have the effect of moving our operating margin by approximately 27 basis points or 0.27 percentage points. Excluding stock-based compensation expense of \$90.2 million and \$57.0 million for 2011 and 2010, respectively, operating margins for the years ended December 31, 2011 and 2010 were 20.0% and 20.0%, respectively.

We entered into foreign exchange forward contracts to hedge certain Indian rupee denominated payments in India. These hedges are intended to mitigate the volatility of the changes in the exchange rate between the U.S. dollar and the Indian rupee. During 2011, settlement of certain cash flow hedges favorably impacted our operating margin by approximately 31 basis points or 0.31 percentage points.

Other Income (Expense), Net. Total other income (expense), net consists primarily of foreign currency exchange gains and (losses) and interest income. The following table sets forth, for the periods indicated, Total other income (expense), net:

(Dollars in thousands)

	2011	2010	Increase / (Decrease)
Foreign currency exchange (losses) gains	\$ (32,400)	\$ 11,220	\$ (43,620)
Gains (losses) on foreign exchange forward contracts not designated as hedging instruments	23,621	(21,088)	44,709
Net foreign currency exchange (losses)	(8,779)	(9,868)	1,089
Interest income	39,249	25,793	13,456
Other, net	2,211	803	1,408
Total other income (expense), net	\$32,681	\$ 16,728	\$ 15,953

The foreign currency exchange losses of approximately \$32.4 million were primarily attributed to the remeasurement of the Indian rupee net monetary assets on Cognizant India's books to the U.S. dollar functional

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currency. The \$23.6 million of gains on foreign exchange forward contracts were primarily related to the change in fair value of foreign exchange forward contracts entered into to offset foreign currency exposure to Indian rupee denominated net monetary assets and the realized losses related to the settlement of certain foreign exchange forward contracts in 2011. At December 31, 2011, the notional value of our undesignated hedges was \$234.2 million. The \$13.5 million increase in interest income was primarily attributed to higher invested balances.

Provision for Income Taxes. The provision for income taxes increased from approximately \$145.0 million in 2010 to approximately \$285.5 million in 2011. The effective income tax rate increased from 16.5% in 2010 to 24.4% in 2011. The increase in our effective income tax rate was primarily attributed to the expiration of India's STP tax holiday program in 2011.

Net Income. Net income increased from approximately \$733.5 million in 2010 to approximately \$883.6 million in 2011, representing 16.0% and 14.4% of revenues, respectively. The decrease in net income as a percentage of revenues in 2011 is primarily attributed to a higher effective income tax rate in 2011.

Results by Business Segment

Our reportable segments are: Financial Services, which includes customers providing banking/transaction processing, capital markets and insurance services; Healthcare, which includes healthcare providers and payers as well as life sciences customers; Manufacturing/Retail/Logistics, which includes manufacturers, retailers, travel and other hospitality customers, as well as customers providing logistics services; and Other, which is an aggregation of industry operating segments each of which, individually, represents less than 10.0% of consolidated revenues and segment operating profit. The Other segment includes information, media and entertainment services, communications, and high technology operating segments. Our sales managers, account executives, account managers and project teams are aligned in accordance with the specific industries they serve.

Our chief operating decision maker evaluates Cognizant's performance and allocates resources based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Generally, operating expenses for each operating segment have similar characteristics and are subject to the same factors, pressures and challenges. However, the economic environment and its effects on industries served by our operating groups may affect revenue and operating expenses to differing degrees. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as a per seat charge for use of the development and delivery centers. Certain selling, general and administrative expenses, excess or shortfall of incentive compensation for delivery personnel as compared to target, stock-based compensation expense, a portion of depreciation and amortization and the impact of the settlements of our cash flow hedges are not allocated to individual segments in internal management reports used by the chief operating decision maker. Accordingly, such expenses are excluded from segment operating profit.

As of December 31, 2012, we had approximately 821 active clients. Accordingly, we provide a significant volume of services to many customers in each of our business segments. Therefore, a loss of a significant customer or a few significant customers in a particular segment could materially reduce revenues for such segment. However, no individual customer exceeded 10.0% of our consolidated revenues for the years ended December 31, 2012, 2011, or 2010. In addition, the services we provide to our larger customers are often critical to the operations of such customers and we believe that a termination of our services would require an extended transition period with gradual declining revenues.

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Revenues from external customers and segment operating profit, before unallocated expenses, for the Financial Services, Healthcare, Manufacturing/Retail/Logistics, and Other segments for the years ended December 31, 2012, 2011, and 2010 are as follows:

(Dollars in thousands)

	2012	2011	2010	2012		2011	
				Increase	%	Increase	%
Revenues:							
Financial Services	\$ 3,035,447	\$ 2,518,422	\$ 1,944,450	\$ 517,025	20.5	\$ 573,972	29.5
Healthcare	1,934,898	1,622,157	1,177,113	312,741	19.3	445,044	37.8
Manufacturing/Retail/Logistics	1,498,668	1,197,472	849,643	301,196	25.2	347,829	40.9
Other	877,459	783,105	621,183	94,354	12.0	161,922	26.1
Total revenue	<u>\$ 7,346,472</u>	<u>\$ 6,121,156</u>	<u>\$ 4,592,389</u>	<u>\$ 1,225,316</u>	20.0	<u>\$ 1,528,767</u>	33.3
Segment Operating Profit:							
Financial Services	\$ 998,339	\$ 872,267	\$ 668,595	\$ 126,072	14.5	\$ 203,672	30.5
Healthcare	724,454	625,052	436,879	99,402	15.9	188,173	43.1
Manufacturing/Retail/Logistics	527,970	440,416	283,676	87,554	19.9	156,740	55.3
Other	288,052	254,145	208,306	33,907	13.3	45,839	22.0
Total segment operating profit	<u>\$ 2,538,815</u>	<u>\$ 2,191,880</u>	<u>\$ 1,597,456</u>	<u>\$ 346,935</u>	15.8	<u>\$ 594,424</u>	37.2

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Financial Services Segment

Revenue. Revenue increased by 20.5% or approximately \$517.0 million, from approximately \$2,518.4 million during 2011 to approximately \$3,035.4 million in 2012. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2011 and customers added during 2012 was approximately \$481.5 million and approximately \$35.5 million, respectively. Within the segment, revenue from our insurance and banking customers increased approximately \$266.8 million and \$250.2 million, respectively, over the prior year. Overall, the year-over-year increase can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased by 14.5% or approximately \$126.1 million, from approximately \$872.3 million during 2011 to approximately \$998.3 million during 2012. The increase in segment operating profit was attributable primarily to increased revenues and the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting primarily from additional headcount to support our revenue growth and continued investment in sales and marketing.

Healthcare Segment

Revenue. Revenue increased by 19.3% or approximately \$312.7 million, from approximately \$1,622.2 million during 2011 to approximately \$1,934.9 million in 2012. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2011 and customers added

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during 2012 was approximately \$292.9 million and approximately \$19.8 million, respectively. Within the segment, growth was stronger among our healthcare customers, where revenue during 2012 increased by approximately \$222.4 million. Revenue during 2012 increased by approximately \$90.3 million for our life sciences customers. The increases can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects. IT spending by our life sciences customers may be adversely impacted by the patent cliff affecting our customers and continued consolidation in the industry.

Segment Operating Profit. Segment operating profit increased 15.9% or approximately \$99.4 million, from approximately \$625.1 million during 2011 to approximately \$724.5 million during 2012. The increase in segment operating profit was attributable primarily to increased revenues and the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting primarily from additional headcount to support our revenue growth and continued investment in sales and marketing.

Manufacturing/Retail/Logistics Segment

Revenue. Revenue increased by 25.2% or approximately \$301.2 million, from approximately \$1,197.5 million during 2011 to approximately \$1,498.7 million in 2012. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2011 and customers added during 2012 was approximately \$243.4 million and approximately \$57.8 million, respectively. Within the segment, growth was stronger among our retail and hospitality customers, where revenue during 2012 increased by approximately \$219.0 million. In 2012, revenue among our manufacturing and logistics customers increased by approximately \$82.2 million. The increase can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased 19.9% or approximately \$87.6 million, from approximately \$440.4 million during 2011 to approximately \$528.0 million during 2012. The increase in segment operating profit was attributable primarily to increased revenues and the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting primarily from additional headcount to support our revenue growth and continued investment in sales and marketing.

Other Segment

Revenue. Revenue increased by 12.0% or approximately \$94.4 million, from approximately \$783.1 million in 2011 to approximately \$877.5 million in 2012. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2011 and customers added during 2012 was approximately \$71.0 million and approximately \$23.4 million, respectively. The increase in revenue can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects. Within the Other segment, growth was below the company average across all operating segments within Other, which includes information, media and entertainment services, communications and high technology.

Segment Operating Profit. Segment operating profit increased 13.3% or approximately \$33.9 million, from approximately \$254.1 million in 2011 to approximately \$288.1 million in 2012. The increase in segment operating profit was attributable primarily to increased revenues, achieving operating efficiencies, including continued leverage of prior sales and marketing investments, and the favorable impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefits costs resulting primarily from additional headcount to support our revenue growth.

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Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Financial Services Segment

Revenue. Revenue increased by 29.5%, or approximately \$573.9 million, from approximately \$1,944.5 million during 2010 to approximately \$2,518.4 million in 2011. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2010 and customers added during 2011 was approximately \$531.3 million and approximately \$42.6 million, respectively. Within the segment, revenue from our banking and insurance customers increased approximately \$395.7 million and \$178.2 million, respectively, over the prior year. Overall, the full year 2011 increase in the segment can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased by 30.5%, or approximately \$203.7 million, from approximately \$668.6 million during 2010 to approximately \$872.3 million during 2011. The increase in segment operating profit was attributable primarily to increased revenues during the year.

Healthcare Segment

Revenue. Revenue increased by 37.8%, or approximately \$445.0 million, from approximately \$1,177.1 million during 2010 to approximately \$1,622.2 million in 2011. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2010 and customers added during 2011 was approximately \$394.7 million and approximately \$50.3 million, respectively. Within the segment, growth was strong among both our healthcare and life sciences customers, where revenue during 2011 increased by approximately \$279.8 million and \$165.2 million, respectively. The increase can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased 43.1%, or approximately \$188.2 million, from approximately \$436.9 million during 2010 to approximately \$625.1 million during 2011. The increase in segment operating profit was attributable primarily to increased revenues, achieving operating efficiencies, including continued leverage of prior sales and marketing investments, and the impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting from additional headcount to support our revenue growth.

Manufacturing/Retail/Logistics Segment

Revenue. Revenue increased by 40.9%, or approximately \$347.8 million, from approximately \$849.6 million during 2010 to approximately \$1,197.5 million in 2011. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2010 and customers added during 2011 was approximately \$307.2 million and approximately \$40.6 million, respectively. Within the segment, growth was strong among both our retail and hospitality and manufacturing and logistics customers, where revenue during 2011 increased by approximately \$221.7 million and \$126.1 million, respectively. The increase can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased 55.3%, or approximately \$156.7 million, from approximately \$283.7 million during 2010 to approximately \$440.4 million during 2011. The increase in segment operating profit was attributable primarily to increased revenues during the year, achieving operating

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efficiencies, including continued leverage of prior sales and marketing investments, and the impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting from additional headcount to support our revenue growth.

Other Segment

Revenue. Revenue increased by 26.1%, or approximately \$161.9 million, from approximately \$621.2 million in 2010 to approximately \$783.1 million in 2011. The increase in revenue was primarily driven by continued expansion of existing customer relationships as well as revenue contributed by new customers. The increase in revenue from customers existing as of December 31, 2010 and customers added during 2011 was approximately \$137.9 million and approximately \$24.0 million, respectively. Within the Other segment, growth was particularly strong among our telecommunication customers, where revenue during 2011 increased approximately \$75.7 million. The increase can also be attributed to leveraging sales and marketing investments in this business segment as well as greater acceptance of our global services delivery model and increased customer spending on discretionary projects.

Segment Operating Profit. Segment operating profit increased 22.0%, or approximately \$45.8 million, from approximately \$208.3 million in 2010 to approximately \$254.1 million in 2011. The increase in segment operating profit was attributable primarily to increased revenues during the year and the impact of the depreciation of the Indian rupee versus the U.S. dollar, partially offset by an increase in compensation and benefit costs resulting from additional headcount to support our revenue growth, continued investment in sales and marketing and an increase in compensation and benefit costs.

Liquidity and Capital Resources

At December 31, 2012, we had cash, cash equivalents and short-term investments of \$2,863.8 million. We have used, and plan to use, such cash for expansion of existing operations, including our offshore development and delivery centers, continued development of new service lines; possible acquisitions of related businesses, formation of joint ventures, stock repurchases and general corporate purposes, including working capital. As of December 31, 2012, we had no third party debt and had working capital of approximately \$3,437.0 million. Accordingly, we do not anticipate any near-term liquidity issues.

Net cash provided by operating activities was approximately \$1,172.6 million for the year ended December 31, 2012, \$875.2 million for the year ended December 31, 2011 and \$764.7 million for the year ended December 31, 2010. The increase in 2012 was primarily attributed to the increase in net income and more efficient deployment of working capital during 2012 as compared to 2011. The increase in 2011 as compared to 2010 is primarily attributed to the increase in our net income. Trade accounts receivable increased to \$1,345.7 million at December 31, 2012 as compared to approximately \$1,179.0 million at December 31, 2011 and approximately \$901.3 million at December 31, 2010. Unbilled accounts receivable increased to approximately \$183.1 million at December 31, 2012 as compared to \$139.6 at December 31, 2011 and approximately \$113.0 million at December 31, 2010. The increase in trade accounts receivable and unbilled receivables during 2012 was due primarily to increased revenues. We monitor turnover, aging and the collection of accounts receivable through the use of management reports that are prepared on a customer basis and evaluated by our finance staff. At December 31, 2012, our days sales outstanding, including unbilled receivables, was approximately 72 days as compared to 73 days as of December 31, 2011 and 71 days as of December 31, 2010.

Our investing activities used net cash of approximately \$570.1 million for the year ended December 31, 2012, \$850.3 million for the year ended December 31, 2011 and \$446.9 million for the year ended December 31, 2010. The decrease in net cash used in investing activities during 2012 is related to a decrease in net purchases of investments, lower payments for acquisitions, partially offset higher spending for capital expenditures during the year. The increase in net cash used in investing activities during 2011 as compared to 2010 related to an increase in net purchases of investments, an increase in spending for capital expenditures during the year and higher payments for acquisitions.

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Our financing activities used net cash of approximately \$343.0 million for the year ended December 31, 2012 and \$255.5 million for the year ended December 31, 2011 and provided net cash of approximately \$120.0 million for the year ended December 31, 2010. The increase in net cash used in financing activities in both years is primarily related to higher levels of repurchases of our common stock under our stock repurchase program.

As of December 31, 2012, \$2,054.5 million of our cash, cash equivalents and short-term investments was held by our foreign subsidiaries. We utilize a variety of strategies in an effort to ensure that our worldwide cash is available in the locations in which it is needed. Most of the amounts held outside of the United States could be repatriated to the United States but, under current law, would be subject to income taxes in the United States, less applicable foreign tax credits. However, other than amounts representing pre-2002 undistributed Indian earnings for which we have already accrued U.S. taxes, we intend to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate these amounts to fund our U.S. operations. If such earnings are repatriated in the future, or are no longer deemed to be indefinitely reinvested, we will accrue the applicable amount of taxes associated with such earnings at that time. Due to the various methods by which such earnings could be repatriated in the future, it is not currently practicable to determine the amount of applicable taxes that would result from such repatriation.

Our ability to expand and grow our business in accordance with current plans, to make acquisitions and form joint ventures and to meet our long-term capital requirements beyond a twelve month period will depend on many factors, including the rate, if any, at which our cash flow increases, our ability and willingness to accomplish acquisitions and joint ventures with capital stock, our continued intent not to repatriate foreign earnings, and the availability of public and private debt and equity financing. We cannot be certain that additional financing, if required, will be available on terms favorable to us, if at all. We expect our operating cash flow and cash and cash equivalents to be sufficient to meet our operating requirements for the next twelve months.

Commitments and Contingencies

As of December 31, 2012, we had outstanding fixed capital commitments of approximately \$163.5 million related to our India development center expansion program, which included expenditures for land acquisition, facilities construction and furnishings to build new state-of-the-art development and delivery centers primarily in regions designated as SEZs located in India. As of December 31, 2012, we had the following obligations and commitments to make future payments under contractual obligations and commercial commitments:

	Payments due by period				
	Total	Less than 1 year	1-3 years (in thousands)	3-5 years	More than 5 years
Operating leases	\$ 724,314	\$ 124,644	\$ 227,199	\$ 143,970	\$ 228,501
Fixed capital commitments ⁽¹⁾	163,484	163,484	—	—	—
Other purchase commitments ⁽²⁾	39,508	18,276	21,232	—	—
Total	<u>\$927,306</u>	<u>\$ 306,404</u>	<u>\$ 248,431</u>	<u>\$ 143,970</u>	<u>\$ 228,501</u>

- (1) Relates to our India development and delivery center expansion program.
- (2) Other purchase commitments include, among other things, communications and information technology obligations, as well as other obligations in the ordinary course of business that we cannot cancel or where we would be required to pay a termination fee in the event of cancellation.

As of December 31, 2012, we had \$92.7 million of unrecognized tax benefits. This represents the tax benefits associated with certain tax positions on our domestic and international tax returns that have not been

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recognized on our financial statements due to uncertainty regarding their resolution. The resolution or settlement of these income tax positions with the relevant taxing authorities is at various stages and therefore we are unable to make a reliable estimate of the eventual cash flows by period that may be required to settle these matters.

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such claims and legal actions, if decided adversely, is not expected to have a material adverse effect on our quarterly or annual operating results, cash flows, or consolidated financial position. Additionally, many of our engagements involve projects that are critical to the operations of our customers' business and provide benefits that are difficult to quantify. Any failure in a customer's systems or our failure to meet our contractual obligations to our clients, including any breach involving a customer's confidential information or sensitive data, or our obligations under applicable laws or regulations could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to contractually limit our liability for damages arising from negligent acts, errors, mistakes, or omissions in rendering our services, there can be no assurance that the limitations of liability set forth in our contracts will be enforceable in all instances or will otherwise protect us from liability for damages. Although we have general liability insurance coverage, including coverage for errors or omissions, there can be no assurance that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our quarterly and annual operating results, financial position and cash flows.

Foreign Currency Risk

Overall, we believe that we have limited revenue risk resulting from movement in foreign currency exchange rates as approximately 79.4% of our revenues for the year ended December 31, 2012 were generated from customers located in North America. However, a portion of our costs in India, representing approximately 30.5% of our global operating costs for the year ended December 31, 2012, are denominated in the Indian rupee and are subject to foreign exchange rate fluctuations. These foreign currency exchange rate fluctuations have an impact on our results of operations. In addition, a portion of our balance sheet is exposed to foreign currency exchange rate fluctuations, which may result in non-operating foreign currency exchange gains or losses upon remeasurement. In 2012, we reported foreign currency exchange losses, exclusive of hedging gains or losses, of approximately \$11.7 million, which were primarily attributed to the remeasurement of Indian rupee net monetary assets on Cognizant India's books to the U.S. dollar functional currency. On an ongoing basis, we manage a portion of this risk by limiting our net monetary asset exposure to certain currencies in our foreign subsidiaries, primarily the Indian rupee.

We entered into a series of foreign exchange forward contracts that are designated as cash flow hedges of certain Indian rupee denominated payments in India. Cognizant India converts U.S. dollar receipts from intercompany billings to Indian rupees to fund local expenses. These hedges to buy Indian rupees and sell U.S. dollars are intended to partially offset the impact of movement of exchange rates on future operating costs. We recorded losses of \$96.1 million in 2012 and gains of \$18.8 million in 2011, on contracts that settled during each year. As of December 31, 2012, we have outstanding contracts with a total notional value of \$3,353.0 million at a weighted average forward rate of 54.13 rupees to the U.S. dollar. These contracts are scheduled to mature as follows: outstanding contracts with a notional value of \$1,253.0 million and a weighted average forward rate of 51.0 rupees to the U.S. dollar scheduled to mature in 2013; outstanding contracts with a notional value of \$1,200 million and a weighted average forward rate of 54.1 rupees to the U.S. dollar scheduled to mature in 2014; outstanding contracts with a notional value of \$780.0 million and a weighted average forward rate of 57.5 rupees to the U.S. dollar scheduled to mature in 2015; and outstanding contracts with a notional value of \$120.0 million and a weighted average forward rate of 65.2 rupees to the U.S. dollar scheduled to mature in 2016.

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Our foreign subsidiaries are exposed to foreign exchange rate risk for transactions denominated in currencies other than the functional currency of the respective subsidiary. We also use foreign exchange forward contracts to hedge balance sheet exposure to certain monetary assets and liabilities denominated in currencies other than the functional currency of the subsidiary. These contracts are not designated as hedges and are intended to offset the foreign currency exchange gains or losses upon remeasurement of these net monetary assets. We entered into a series of foreign exchange forward contracts scheduled to mature in 2013 which are primarily used to hedge our Indian rupee denominated net monetary assets. At December 31, 2012, the notional value of the outstanding contracts was \$208.6 million and the related fair value was a net liability of \$5.2 million. During 2012, inclusive of losses of \$8.3 million on these undesignated balance sheet hedges, we reported net foreign currency exchange losses of approximately \$20.0 million.

Off-Balance Sheet Arrangements

Other than our foreign exchange forward contracts, there were no off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons in 2012, 2011 and 2010 that have, or are reasonably likely to have, a current or future effect on the company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Effects of Inflation

Our most significant costs are the salaries and related benefits for our programming staff and other professionals. Competition in India, the United States and Europe for professionals with advanced technical skills necessary to perform our services offered has caused wages to increase at a rate greater than the general rate of inflation. As with other service providers in our industry, we must adequately anticipate wage increases, particularly on our fixed-price contracts. Historically, we have experienced increases in compensation and benefit costs, including incentive-based compensation, in India; however, this has not had a material impact on our results of operations as we have been able to absorb such cost increases through price increases or cost management strategies such as managing discretionary costs, mix of professional staff and utilization levels and achieving other operating efficiencies. There can be no assurance that we will be able to offset such cost increases in the future.

Critical Accounting Estimates and Risks

Management's discussion and analysis of our financial condition and results of operations is based on our accompanying consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. On an on-going basis, we evaluate our estimates. The most significant estimates relate to the recognition of revenue and profits based on the percentage of completion method of accounting for certain fixed-bid contracts, the allowance for doubtful accounts, income taxes, valuation of goodwill and other long-lived assets, valuation of investments and derivative financial instruments, assumptions used in valuing stock-based compensation arrangements, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual amounts may differ from the estimates used in the preparation of the accompanying consolidated financial statements. Our significant accounting policies are described in Note 1 to the accompanying consolidated financial statements.

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We believe the following critical accounting policies require a higher level of management judgments and estimates than others in preparing the consolidated financial statements:

Revenue Recognition. Revenues related to our highly complex information technology application development contracts, which are predominantly fixed-price contracts, are recognized as the services are performed using the percentage of completion method of accounting. Under this method, total contract revenue during the term of an agreement is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor cost (cost to cost method). This method is followed where reasonably dependable estimates of revenues and costs can be made. Management reviews total expected labor costs on an ongoing basis. Revisions to our estimates may result in increases or decreases to revenues and income and are reflected in the consolidated financial statements in the periods in which they are first identified. If our estimates indicate that a contract loss will be incurred, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in cost of revenues in our consolidated statement of operations. Contract losses for the periods presented were immaterial.

Stock-Based Compensation. Utilizing the fair value recognition provisions prescribed by the authoritative guidance, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term over which the stock awards will be outstanding before they are exercised, the expected volatility of our stock and the number of stock-based awards that are expected to be forfeited. In addition, for performance stock units, we are required to estimate the most probable outcome of the performance conditions in order to determine the amount of stock compensation costs to be recorded over the vesting period. If actual results differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted.

Income Taxes. Determining the consolidated provision for income tax expense, deferred income tax assets (and related valuation allowance, if any) and liabilities requires significant judgment. We are required to calculate and provide for income taxes in each of the jurisdictions where we operate. Changes in the geographic mix of income before taxes or estimated level of annual pre-tax income can affect our overall effective income tax rate. The consolidated provision for income taxes may also change period to period based on non-recurring events, such as the settlement of income tax audits and changes in tax laws, regulations, or accounting principles.

Our provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related net interest, which can involve complex issues and may require an extended period to resolve. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not differ from our recorded amounts. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit. To the extent that the final tax outcome of these matters differs from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

Significant judgment is also required in determining any valuation allowance recorded against deferred income tax assets. In assessing the need for a valuation allowance, we consider all available evidence for each jurisdiction including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event we change our determination as to the amount of deferred income tax assets that can be realized, we will adjust the valuation allowance with a corresponding impact recorded to income tax expense in the period in which such determination was made.

Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented companies and are eligible for certain income tax holiday benefits granted by the Indian government for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years. We have constructed and

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expect to continue to locate most of our newer development facilities in SEZs. All Indian profits, including those generated within SEZs, are subject to the Minimum Alternative Tax, or MAT, at the current rate of approximately 20.0%. Any MAT paid is creditable against future corporate income tax within a 10-year expiration period, subject to certain limitations. Currently, we anticipate utilizing our existing MAT balances against our future corporate income tax obligations in India. However, our ability to do so could be impacted by possible changes to the Indian tax laws as well as the future financial results of Cognizant India.

Derivative Financial Instruments. Derivative financial instruments are accounted for in accordance with the authoritative guidance which requires that each derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Our derivative financial instruments consist of foreign exchange forward contracts. We estimate the fair value of each foreign exchange forward contract by using a present value of expected cash flows model. This model utilizes various assumptions, including, but not limited to timing and amounts of cash flows, discount rates, and credit risk factors. The use of different assumptions could have a positive or negative effect on our results of operations and financial condition.

Investments. Our investment portfolio is comprised primarily of time deposits, mutual funds invested in fixed income securities and U.S. dollar denominated corporate bonds, municipal bonds, certificates of deposit, commercial paper, debt issuances by the U.S. government, U.S. government agencies, foreign governments and supranational entities and asset-backed securities. The asset-backed securities include securities backed by auto loans, credit card receivables, mortgage loans and other receivables and are rated AAA/Aaa. The years of issuance of our asset-backed securities fall in the 2003 to 2012 range.

We utilize various inputs to determine the fair value of our investment portfolio. To the extent they exist, unadjusted quoted market prices for identical assets in active markets (Level 1) or quoted prices on similar assets (Level 2) are utilized to determine the fair value of each investment in our portfolio. In the absence of quoted prices or liquid markets, valuation techniques would be used to determine fair value of any investments that require inputs that are both significant to the fair value measurement and unobservable (Level 3). Valuation techniques are based on various assumptions, including, but not limited to timing and amounts of cash flows, discount rates, rate of return, and adjustments for nonperformance and liquidity. A significant degree of judgment is involved in valuing investments using Level 3 inputs. The use of different assumptions could have a positive or negative effect on our results of operations and financial condition. See Note 10 to our consolidated financial statements for additional information related to our security valuation methodologies.

We periodically evaluate if unrealized losses, as determined based on the security valuation methodologies discussed above, on individual securities classified as available-for-sale in the investment portfolio are considered to be other-than-temporary. The analysis of other-than-temporary impairment requires the use of various assumptions, including, but not limited to, the length of time an investment's book value is greater than fair value, the severity of the investment's decline, any credit deterioration of the investment, whether management intends to sell the security and whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is generally recorded to income and a new cost basis in the investment is established.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit-worthiness of each customer, historical collections experience and other information, including the aging of the receivables. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Goodwill. We evaluate goodwill for impairment at least annually, or as circumstances warrant. When determining the fair value of our reporting units, we utilize various assumptions, including projections of future cash flows. Any adverse changes in key assumptions about our businesses and their prospects or an adverse

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change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge. Based upon our most recent evaluation of goodwill, there are no significant risks of impairment for any of our reporting units. As of December 31, 2012, our goodwill balance was \$309.2 million.

Long-Lived Assets and Intangibles. We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, we will recognize an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such asset. The measurement for such an impairment loss is then based on the fair value of the asset. If such assets were determined to be impaired, it could have a material adverse effect on our business, results of operations and financial condition.

Risks. The majority of our development and delivery centers, including a majority of our employees, are located in India. As a result, we may be subject to certain risks associated with international operations, including risks associated with foreign currency exchange rate fluctuations and risks associated with the application and imposition of protective legislation and regulations relating to import and export or otherwise resulting from foreign policy or the variability of foreign economic or political conditions. Additional risks associated with international operations include difficulties in enforcing intellectual property rights, limitations on immigration programs, the burdens of complying with a wide variety of foreign laws, potential geo-political and other risks associated with terrorist activities and local and cross border conflicts, and potentially adverse tax consequences, tariffs, quotas and other barriers. We are also subject to risks associated with our overall compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The inability of our management to ensure the adequacy and effectiveness of our internal control over financial reporting for future year ends could result in adverse consequences to us, including, but not limited to, a loss of investor confidence in the reliability of our financial statements, which could cause the market price of our stock to decline. See Part I, Item 1A. "Risk Factors."

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board, or FASB, issued guidance related to accumulated other comprehensive income, requiring the presentation of significant amounts reclassified out of accumulated other comprehensive income to the respective line items in the statement of operations. For those amounts required by U.S. GAAP to be reclassified to earnings in their entirety in the same reporting period, this presentation is required either on the statement of operations or in a single footnote. For items that are not required to be reclassified in their entirety to earnings, the presentation requirement can be met by cross-referencing disclosures elsewhere in the footnotes. The pronouncement is effective on a prospective basis effective for interim and annual reporting periods that start after December 15, 2012. The adoption of this standard affects financial statement presentation only and will have no effect on our financial condition or consolidated results of operations.

In December 2011, the FASB issued guidance requiring enhanced disclosures related to the nature of an entity's rights to offset and any related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed and the related net exposure. In January 2013, the FASB issued an additional update clarifying the scope of this guidance. The new guidance will be effective for periods beginning on or after January 1, 2013. The adoption of this standard affects financial statement disclosures only and will have no effect on our financial condition or consolidated results of operations.

Forward Looking Statements

The statements contained in this Annual Report on Form 10-K that are not historical facts are forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended) that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "could," "would," "plan," "intend,"

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"estimate," "predict," "potential," "continue," "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing.

Such forward-looking statements may be included in various filings made by us with the Securities and Exchange Commission, or press releases or oral statements made by or with the approval of one of our authorized executive officers. These forward-looking statements, such as statements regarding anticipated future revenues or operating margins, contract percentage completions, earnings, capital expenditures, liquidity, plans, objectives, and other statements regarding matters that are not historical facts, are based on our current expectations, estimates and projections, management's beliefs, and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. There are a number of important factors that could cause our results to differ materially from those indicated by such forward-looking statements, including, but not limited to, continuing worsening economic conditions in the United States and Europe; the loss of customers; the rate of growth in the use of technology in business and the type and level of technology spending by our clients; the risk of reputational harm to us; increased competition from other service providers; the risk that we may not be able to keep pace with the rapidly evolving technological environment; competition for hiring highly-skilled professionals or the loss of key personnel; the risk that we may not be able to control our costs or maintain favorable pricing and utilization rates; the risk that we might not be able to maintain effective internal controls; the risk that we may not be able to enforce non-competition agreements with our executives; the risk of liability resulting from security breaches; our inability to successfully acquire or integrate target companies; changes in domestic and international regulations and legislation, including immigration and anti-outsourcing legislation; the effect of fluctuations in the Indian rupee and other currency exchange rates; the effect of our use of derivative instruments; the risk of war, terrorist activities, pandemics and natural disasters; the possibility that we may choose to repatriate foreign earnings or that those earnings may become subject to tax on a U.S. basis; the possibility that we may lose certain tax benefits provided to companies in our industry by India; the risk that we may not be able to enforce or protect our intellectual property rights, or that we may infringe upon the intellectual property rights of others; the possibility that we could lose our ability to utilize the intellectual property rights of others; and the factors set forth in Part I, in the section entitled "Item 1A. Risk Factors" in this report. You are advised to consult any further disclosures we make on related subjects in the reports we file with the Securities and Exchange Commission, including this report in the sections titled "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to foreign currency exchange rate risk in the ordinary course of doing business as we transact or hold a portion of our funds in foreign currencies, particularly the Indian rupee. Accordingly, we periodically evaluate the need for hedging strategies, including the use of derivative financial instruments, to mitigate the effect of foreign currency exchange rate fluctuations and expect to continue to use such instruments in the future to reduce foreign currency exposure to appreciation or depreciation in the value of certain foreign currencies. All hedging transactions are authorized and executed pursuant to regularly reviewed policies and procedures.

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges of certain Indian rupee denominated payments in India. Cognizant India converts U.S. dollar receipts from intercompany billings to Indian rupees to fund local expenses. These U.S. dollar / Indian rupee hedges are intended to partially offset the impact of movement of exchange rates on future operating costs. As of December 31, the notional value of these contracts was \$3,353.0 million. The outstanding contracts as of

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December 31, 2012 are scheduled to mature each month during 2013, 2014, 2015 and 2016. At December 31, 2012, the net unrealized loss on our outstanding foreign exchange forward contracts was \$296.6 million. Based upon a sensitivity analysis of our foreign exchange forward contracts at December 31, 2012, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10.0% change in the foreign currency exchange rate against the U.S. dollar with all other variables held constant would have resulted in a change in the fair value of approximately \$285.5 million.

Our foreign subsidiaries are exposed to foreign exchange rate risk for transactions denominated in currencies other than the functional currency of the respective subsidiary. We also use foreign exchange forward contracts to hedge balance sheet exposure to certain monetary assets and liabilities denominated in currencies other than the functional currency of the subsidiary. These contracts are not designated as hedges and are intended to offset the foreign currency exchange gains or losses upon remeasurement of these net monetary assets. We entered into a series of foreign exchange forward contracts scheduled to mature in 2013 which are primarily used to hedge our Indian rupee denominated net monetary assets. At December 31, 2012, the notional value of the outstanding contracts was \$208.6 million and the related fair value was a liability of \$5.2 million. Based upon a sensitivity analysis of our foreign exchange forward contracts at December 31, 2012, which estimates the fair value of the contracts based upon market exchange rate fluctuations, a 10.0% change in the foreign currency exchange rate against the U.S. dollar with all other variables held constant would have resulted in a change in the fair value of approximately \$17.7 million.

We do not believe we are exposed to material direct risks associated with changes in interest rates other than with our cash, cash equivalents and short-term investments. As of December 31, 2012, we had \$2,863.8 million of cash, cash equivalents and short-term investments most of which are impacted almost immediately by changes in short-term interest rates.

We typically invest in highly-rated securities and our policy generally limits the amount of credit exposure to any one issuer. Our investment policy requires investments to be investment grade with the objective of minimizing the potential risk of principal loss. We may sell our investments prior to their stated maturities for strategic purposes, in anticipation of credit deterioration, or for duration management. As of December 31, 2012, our short-term investments totaled \$1,293.7 million. Our investment portfolio is primarily comprised of time deposits, mutual funds invested in fixed income securities and U.S. dollar denominated corporate bonds, municipal bonds, debt issuances by the U.S. government and U.S. government agencies, debt issuances by foreign governments and supranational entities and asset-backed securities.

Item 8. Financial Statements and Supplementary Data

The financial statements required to be filed pursuant to this Item 8 are appended to this Annual Report on Form 10-K. A list of the financial statements filed herewith is found in Part IV, "Item 15. Exhibits, Financial Statements and Financial Statement Schedule".

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management under the supervision and with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of December 31, 2012. Based on this evaluation, our chief executive officer and our chief financial officer concluded that, as of December 31, 2012, our disclosure controls and procedures were effective to ensure that

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information required to be disclosed by us in our reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Responsibility for Financial Statements

Our management is responsible for the integrity and objectivity of all information presented in this annual report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the company's independent registered public accounting firm and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent registered public accounting firm. The independent registered public accounting firm has free access to the Audit Committee.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act and is a process designed by, or under the supervision of, our chief executive and chief financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2012. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on its evaluation, our management has concluded that, as of December 31, 2012, our internal control over financial reporting was effective. PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this annual report, has issued an attestation report on our internal control over financial reporting, as stated in their report which is included on page F-2.

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Inherent Limitations of Internal Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Item 9B. Other Information

We have entered into amended and restated employment agreements with each of Messrs. Francisco D'Souza, our Chief Executive Officer, Gordon J. Coburn, our President, Ramakrishnan Chandrasekaran, our Group Chief Executive – Technology and Operations, Rajeev Mehta, our Group Chief Executive – Industry and Markets, and Steven Schwartz, our Senior Vice President and General Counsel, which supersede and replace these executives' existing severance and noncompetition agreements. In addition, we have entered into an employment agreement with Ms. Karen McLoughlin, our Chief Financial Officer, who had not previously been a party to a severance and noncompetition or similar agreement. Each of these employment agreements is substantially similar, as described below. The agreements govern the terms and conditions of the executives' employment, including their duties and responsibilities, compensation and benefits, and applicable severance terms.

Each employment agreement became effective February 25, 2013, and will continue in effect until terminated by the executive or by us. Each employment agreement provides for an annual base salary, which is subject to review and modification by our Compensation Committee. Each executive is also eligible to earn incentive compensation pursuant to applicable bonus plan(s), and is also eligible to receive the customary fringe benefits that are generally available to our employees.

Pursuant to the employment agreements, upon any termination of employment, the executive is entitled to receive any accrued but unpaid amounts or benefits as of the termination date. Each employment agreement also provides for certain severance payments and benefits upon specified terminations of employment. Upon a termination of employment without "cause," other than due to the executive's death or disability, or for "good reason," in any case, prior to a "change in control" (each such term as defined in the applicable employment agreement), then subject to the execution of a release, the executive is entitled to receive: (i) continued payment of base salary for twenty-two months following termination; (ii) group medical insurance continuation coverage for up to twelve months following termination; (iii) accelerated vesting of any then-outstanding and unvested equity awards that are (A) subject to continued service vesting requirements only or (B) subject to performance-based vesting requirements with respect to which all performance objectives have been satisfied and the applicable performance period has expired so that only continued service vesting requirements remain as of the termination date, and in either case, that would have otherwise vested during the twelve-month period following termination (had the executive remained employed through such twelve-month period).

If such a termination occurs upon or within twelve months after a "change in control", then subject to the execution of a release, the executive is entitled to receive (in lieu of the severance benefits described above): (a) an amount equal to one times the executive's annual base salary, payable in installments over a twelve-month period following termination; (b) an amount equal to the executive's target bonus for the year of termination (assuming 100% achievement of all applicable targets and objectives), payable in a lump sum within thirty-five days following termination; (c) group medical insurance continuation coverage for up to twelve months following termination; (d) accelerated vesting of any then-outstanding and unvested equity awards that are (X) subject to continued service vesting requirements only or (Y) subject to performance-based vesting requirements with respect to which all performance objectives have been satisfied and the applicable performance period has expired so that only continued service vesting requirements remain as of the termination date, and in either case, that would have otherwise vested during the twelve-month period following termination (had the executive remained employed through such twelve-month period); and (e) accelerated vesting of a prorated portion of any then-outstanding and unvested equity awards that are subject to performance-based

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vesting requirements with respect to which the applicable performance period has not expired as of the termination date, based on the company's determination of the level of achievement of the applicable performance objectives for the portion of the performance period that occurs prior to the consummation of the change in control.

The employment agreements each include an Internal Revenue Code Section 280G "cutback" provision, which provides that any payment or benefit paid or provided to the executives pursuant to the agreements that would otherwise constitute a "parachute payment" and be subject to an excise tax under Internal Revenue Code Section 4999 will be reduced to the extent necessary so that no portion of such payments or benefits will be subject to the excise tax. Additionally, each executive will be subject to any clawback or recoupment policies, pursuant to which we will be permitted to recoup all or part of certain severance amounts, cash bonuses or incentive compensation (including equity incentive compensation) paid or awarded to the executive in the event that we are required to restate our financial statements.

The employment agreements each contain confidentiality restrictions effective during and after employment and non-competition and non-solicitation covenants effective during employment and for one year following the termination of employment. In addition, the employment agreements contain intellectual property covenants which require the executives to disclose any inventions created by them during employment and for a period of six months following the termination of employment, and provides that the executives will assign certain inventions created during such period to us in accordance with applicable intellectual property laws.

The foregoing description of the employment agreements does not purport to be complete and is qualified by reference to the full text of the form of employment agreement, which is attached hereto as Exhibit 10.4 and incorporated by reference herein.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information relating to our directors and nominees for election as directors under the heading "Election of Directors" in our definitive proxy statement for the 2013 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement. The information relating to our executive officers in response to this item is contained in part under the caption "Our Executive Officers" in Part I of this Annual Report on Form 10-K and the remainder is incorporated herein by reference to our definitive proxy statement for the 2013 Annual Meeting of Stockholders under the headings "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance-Code of Ethics" and "Committees of the Board-Audit Committee."

We have adopted a written code of business conduct and ethics, entitled "Cognizant's Core Values and Standards of Business Conduct," that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. We make available our code of business conduct and ethics free of charge through our website which is located at www.cognizant.com. We intend to disclose any amendments to, or waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Global Select Market by posting it on our website.

Item 11. Executive Compensation

The discussion under the heading "Executive Compensation," "Compensation Committee Report," "Executive Compensation Tables" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for the 2013 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The discussion under the heading "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation Tables-Equity Compensation Plan Information" in our definitive proxy statement for the 2013 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The discussion under the heading "Certain Relationships and Related Transactions and Director Independence" in our definitive proxy statement for the 2013 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement.

Item 14. Principal Accountant Fees and Services

The discussion under the heading "Independent Registered Public Accounting Firm Fees and Other Matters" in our definitive proxy statement for the 2013 Annual Meeting of Stockholders is incorporated herein by reference to such proxy statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a) (1) Consolidated Financial Statements.
Reference is made to the Index to Consolidated Financial Statements on Page F-1.
- (2) Consolidated Financial Statement Schedule.
Reference is made to the Index to Financial Statement Schedule on Page F-1.
- (3) Exhibits.
Reference is made to the Index to Exhibits on Page 70.

Schedules other than as listed above are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 26th day of February, 2013.

**COGNIZANT TECHNOLOGY SOLUTIONS
CORPORATION**

By: /s/ FRANCISCO D'SOUZA

Francisco D'Souza,
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ FRANCISCO D'SOUZA</u> Francisco D'Souza	Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2013
<u>/s/ KAREN MCLOUGHLIN</u> Karen McLoughlin	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2013
<u>/s/ JOHN E. KLEIN</u> John E. Klein	Chairman of the Board and Director	February 26, 2013
<u>/s/ LAKSHMI NARAYANAN</u> Lakshmi Narayanan	Vice Chairman of the Board and Director	February 26, 2013
<u>/s/ THOMAS M. WENDEL</u> Thomas M. Wendel	Director	February 26, 2013
<u>/s/ ROBERT W. HOWE</u> Robert W. Howe	Director	February 26, 2013
<u>/s/ ROBERT E. WEISSMAN</u> Robert E. Weissman	Director	February 26, 2013
<u>/s/ JOHN N. FOX, JR.</u> John N. Fox, Jr.	Director	February 26, 2013
<u>/s/ MAUREEN BREAKIRON-EVANS</u> Maureen Breakiron-Evans	Director	February 26, 2013
<u>/s/ MICHAEL PATSALOS-FOX</u> Michael Patsalos-Fox	Director	February 26, 2013
<u>/s/ LEO S. MACKAY, JR.</u> Leo S. Mackay, Jr.	Director	February 26, 2013

EXHIBIT INDEX

Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Date	
3.1	Restated Certificate of Incorporation	8-K	000-24429	3.1	2/13/03	
3.2	Amended and Restated By-laws of the Company, as amended on April 18, 2008	8-K	000-24429	3.1	4/23/08	
3.3	Amendment to Restated Certificate of Incorporation, dated May 26, 2004	10-Q	000-24429	3.1	8/6/04	
3.4	Amendment to Restated Certificate of Incorporation, dated June 13, 2006	8-K	000-24429	3.1	6/13/06	
3.5	Amendment to Restated Certificate of Incorporation, dated June 2, 2011	8-K	000-24429	3.1	6/2/11	
3.6	Amendment to Amended and Restated By-laws of the Company, as amended, dated June 2, 2011	8-K	000-24429	3.2	6/2/11	
4.1	Rights Agreement, dated March 5, 2003, between the Company and American Stock Transfer & Trust Company, as Rights Agent, which includes the Certificate of Designations for the Series A Junior Participating Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C	8-K	000-24429	4.1	3/6/03	
4.2	Specimen Certificate for shares of Class A common stock	S-4/A	333-101216	4.2	1/30/03	
10.1†	Form of Indemnification Agreement for Directors and Officers	S-1	333-49783	10.1	4/9/98	
10.2†	Amended and Restated Cognizant Technology Solutions Key Employees' Stock Option Plan	S-1	333-49783	10.2	4/9/98	
10.3†	Amended and Restated Cognizant Technology Solutions Non-Employee Directors' Stock Option Plan	S-1	333-49783	10.3	4/9/98	
10.4†	Form of Amended and Restated Executive Employment and Non-Disclosure, Non-Competition, and Invention Assignment Agreement, between the Company and each of its Executive Officers.					*
10.5†	Amended and Restated 1999 Incentive Compensation Plan (as Amended and Restated Through April 26, 2007)	8-K	000-24429	10.1	6/8/07	
10.6†	2004 Employee Stock Purchase Plan (as amended and restated effective as of April 1, 2010)	8-K	000-24429	10.1	6/1/10	
10.7†	Form of Stock Option Certificate	10-Q	000-24429	10.1	11/8/04	

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Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Date	
10.8†	The Cognizant Technology Solutions Executive Pension Plan	10-Q	000-24429	10.2	8/8/05	
10.9	Distribution Agreement between IMS Health Incorporated and the Company, dated January 7, 2003	S-4/A	333-101216	10.13	1/30/03	
10.10†	Amended and Restated 1999 Incentive Competition Plan Amendment No. 1, which became effective on March 2, 2007	10-Q	000-24429	10.1	5/10/07	
10.11†	Amended and Restated Key Employees' Stock Option Plan Amendment No. 1, which became effective on March 2, 2007	10-Q	000-24429	10.2	5/10/07	
10.12†	Amended and Restated Non-Employee Directors' Stock Option Plan Amendment No. 1, which became effective on March 2, 2007	10-Q	000-24429	10.3	5/10/07	
10.13†	Form of Performance Unit Award for grants to certain executive officers	8-K	000-24429	10.1	12/7/07	
10.14†	Form of Stock Unit Award Agreement pursuant to the Cognizant Technology Solutions Corporation Amended and Restated 1999 Incentive Compensation Plan	8-K	000-24429	10.1	9/5/08	
10.15†	The Cognizant Technology Solutions Executive Pension Plan, as amended and restated	8-K	000-24429	10.2	12/5/08	
10.16†	Cognizant Technology Solutions Corporation 2009 Incentive Compensation Plan	8-K	000-24429	10.1	6/11/09	
10.17†	Form of Cognizant Technology Solutions Corporation Stock Option Agreement	8-K	000-24429	10.1	7/6/09	
10.18†	Form of Cognizant Technology Solutions Corporation Notice of Grant of Stock Option	8-K	000-24429	10.2	7/6/09	
10.19†	Form of Cognizant Technology Solutions Corporation Restricted Stock Unit Award Agreement Time-Based Vesting	8-K	000-24429	10.3	7/6/09	
10.20†	Form of Cognizant Technology Solutions Corporation Notice of Award of Restricted Stock Units Time-Based Vesting	8-K	000-24429	10.4	7/6/09	
10.21†	Form of Cognizant Technology Solutions Corporation Restricted Stock Unit Award Agreement Performance-Based Vesting	8-K	000-24429	10.5	7/6/09	
10.22†	Form of Cognizant Technology Solutions Corporation Notice of Award of Restricted Stock Units Performance-Based Vesting	8-K	000-24429	10.6	7/6/09	

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Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Date	
10.23†	Form of Cognizant Technology Solutions Corporation Notice of Award of Restricted Stock Units Non-Employee Director Deferred Issuance	8-K	000-24429	10.8	7/6/09	
21.1	List of subsidiaries of the Company					*
23.1	Consent of PricewaterhouseCoopers LLP					*
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)					*
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)					*
32.1	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer)					*
32.2	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer)					*
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*

† A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.

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**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
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AND FINANCIAL STATEMENT SCHEDULE**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cognizant Technology Solutions Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Cognizant Technology Solutions Corporation (the "Company") and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

New York, New York

February 26, 2013

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands, except par values)

	At December 31,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,570,077	\$ 1,310,906
Short-term investments	1,293,681	1,121,358
Trade accounts receivable, net of allowances of \$25,816 and \$24,658, respectively	1,345,661	1,179,043
Unbilled accounts receivable	183,085	139,627
Deferred income tax assets, net	201,894	109,042
Other current assets	219,896	225,530
Total current assets	4,814,294	4,085,506
Property and equipment, net of accumulated depreciation of \$573,792 and \$455,506, respectively	971,486	758,034
Goodwill	309,185	288,772
Intangible assets, net	87,475	97,616
Deferred income tax assets, net	178,824	164,192
Other noncurrent assets	160,307	113,813
Total assets	<u>\$6,521,571</u>	<u>\$ 5,507,933</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 108,707	\$ 72,205
Deferred revenue	149,696	105,713
Accrued expenses and other current liabilities	1,118,927	1,031,787
Total current liabilities	1,377,330	1,209,705
Deferred income tax liabilities, net	2,777	3,339
Other noncurrent liabilities	287,081	342,003
Total liabilities	1,667,188	1,555,047
Commitments and contingencies (See Note 13)		
Stockholders' Equity:		
Preferred stock, \$.10 par value, 15,000 shares authorized, none issued	—	—
Class A common stock, \$.01 par value, 1,000,000 shares authorized, 301,680 and 303,106 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	3,017	3,031
Additional paid-in capital	457,260	692,723
Retained earnings	4,633,789	3,582,526
Accumulated other comprehensive income (loss)	(239,683)	(325,394)
Total stockholders' equity	4,854,383	3,952,886
Total liabilities and stockholders' equity	<u>\$6,521,571</u>	<u>\$ 5,507,933</u>

The accompanying notes are an integral part of the consolidated financial statements.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2012	2011	2010
Revenues	\$ 7,346,472	\$6,121,156	\$ 4,592,389
Operating expenses:			
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	4,278,241	3,538,622	2,654,569
Selling, general and administrative expenses	1,557,646	1,328,665	972,093
Depreciation and amortization expense	149,089	117,401	103,875
Income from operations	1,361,496	1,136,468	861,852
Other income (expense), net:			
Interest income	44,514	39,249	25,793
Other, net	(18,414)	(6,568)	(9,065)
Total other income (expense), net	26,100	32,681	16,728
Income before provision for income taxes	1,387,596	1,169,149	878,580
Provision for income taxes	336,333	285,531	145,040
Net income	\$ 1,051,263	\$ 883,618	\$ 733,540
Basic earnings per share	\$ 3.49	\$ 2.91	\$ 2.44
Diluted earnings per share	\$ 3.44	\$ 2.85	\$ 2.37
Weighted average number of common shares outstanding—Basic	301,291	303,277	300,781
Dilutive effect of shares issuable under stock-based compensation plans	4,570	7,074	8,356
Weighted average number of common shares outstanding—Diluted	305,861	310,351	309,137

The accompanying notes are an integral part of the consolidated financial statements.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income	<u>\$1,051,263</u>	<u>\$ 883,618</u>	<u>\$ 733,540</u>
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	15,133	(7,839)	2,411
Change in unrealized (loss) gain on cash flow hedges, net of taxes of \$18,816, (\$64,217) and \$1,044 for the years ended December 31, 2012, 2011 and 2010, respectively	70,229	(353,762)	12,313
Change in unrealized gain on available-for-sale securities, net of taxes of \$105, \$372, \$408 for the years ended December 31, 2012, 2011 and 2010, respectively	349	609	597
Other comprehensive income (loss)	<u>85,711</u>	<u>(360,992)</u>	<u>15,321</u>
Comprehensive income	<u>\$1,136,974</u>	<u>\$ 522,626</u>	<u>\$748,861</u>

The accompanying notes are an integral part of the consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	<u>Class A Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2009	297,231	\$ 2,972	\$ 664,560	\$ 1,965,368	\$ 20,277	\$ 2,653,177
Net income	—	—	—	733,540	—	733,540
Other comprehensive income	—	—	—	—	15,321	15,321
Comprehensive income	—	—	—	—	—	\$ 748,861
Common stock issued, stock-based compensation plans	7,529	75	107,009	—	—	107,084
Tax benefit, stock-based compensation plans	—	—	73,839	—	—	73,839
Stock-based compensation expense	—	—	56,984	—	—	56,984
Repurchases of common stock	(892)	(9)	(58,991)	—	—	(59,000)
Business combination (see Note 2)	73	1	3,485	—	—	3,486
Balance, December 31, 2010	303,941	3,039	846,886	2,698,908	35,598	3,584,431
Net income	—	—	—	883,618	—	883,618
Other comprehensive (loss)	—	—	—	—	(360,992)	(360,992)
Comprehensive income	—	—	—	—	—	\$ 522,626
Common stock issued, stock-based compensation plans	4,513	45	79,506	—	—	79,551
Tax benefit, stock-based compensation plans	—	—	39,778	—	—	39,778
Stock-based compensation expense	—	—	90,232	—	—	90,232
Repurchases of common stock	(5,511)	(55)	(374,092)	—	—	(374,147)
Business combination (see Note 2)	163	2	10,413	—	—	10,415
Balance, December 31, 2011	303,106	3,031	692,723	3,582,526	(325,394)	3,952,886
Net income	—	—	—	1,051,263	—	1,051,263
Other comprehensive income	—	—	—	—	85,711	85,711
Comprehensive income	—	—	—	—	—	\$ 1,136,974
Common stock issued, stock-based compensation plans	7,176	72	129,413	—	—	129,485
Tax benefit, stock based compensation plans	—	—	48,528	—	—	48,528
Stock-based compensation expense	—	—	107,355	—	—	107,355
Repurchases of common stock	(8,602)	(86)	(520,759)	—	—	(520,845)
Balance, December 31, 2012	301,680	\$ 3,017	\$ 457,260	\$ 4,633,789	\$ (239,683)	\$ 4,854,383

The accompanying notes are an integral part of the consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 1,051,263	\$ 883,618	\$ 733,540
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,588	124,175	110,172
Provision for doubtful accounts	5,076	4,582	5,950
Deferred income taxes	(117,908)	(8,599)	(51,909)
Stock-based compensation expense	107,355	90,232	56,984
Excess tax benefits on stock-based compensation plans	(48,373)	(39,141)	(71,919)
Other	2,499	46,036	(7,598)
Changes in assets and liabilities:			
Trade accounts receivable	(158,603)	(284,167)	(278,418)
Other current assets	(29,833)	(99,224)	(75,347)
Other noncurrent assets	(36,692)	(28,805)	(24,296)
Accounts payable	32,773	(8,593)	18,597
Other current and noncurrent liabilities	208,438	195,038	348,898
Net cash provided by operating activities	<u>1,172,583</u>	<u>875,152</u>	<u>764,654</u>
Cash flows from investing activities:			
Purchases of property and equipment	(334,465)	(288,221)	(185,512)
Purchases of investments	(1,428,508)	(1,338,664)	(934,185)
Proceeds from maturity or sale of investments	1,252,821	859,404	706,670
Business combinations, net of cash acquired	(59,894)	(82,800)	(33,863)
Net cash (used in) investing activities	<u>(570,046)</u>	<u>(850,281)</u>	<u>(446,890)</u>
Cash flows from financing activities:			
Issuance of common stock under stock-based compensation plans	129,484	79,551	107,084
Excess tax benefits on stock-based compensation plans	48,373	39,141	71,919
Repurchases of common stock	(520,845)	(374,147)	(59,000)
Net cash (used in) provided by financing activities	<u>(342,988)</u>	<u>(255,455)</u>	<u>120,003</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(378)</u>	<u>521</u>	<u>2,272</u>
Increase (decrease) in cash and cash equivalents	259,171	(230,063)	440,039
Cash and cash equivalents, beginning of year	<u>1,310,906</u>	<u>1,540,969</u>	<u>1,100,930</u>
Cash and cash equivalents, end of period	<u>\$ 1,570,077</u>	<u>\$ 1,310,906</u>	<u>\$ 1,540,969</u>
Supplemental information:			
Cash paid for income taxes during the year	<u>\$ 402,098</u>	<u>\$ 248,229</u>	<u>\$ 127,129</u>

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements
(Dollars in thousands, except share data)

1. Summary of Significant Accounting Policies

The terms "Cognizant," "we," "our," "us" and the "Company" refer to Cognizant Technology Solutions Corporation and its subsidiaries unless the context indicates otherwise.

Description of Business. We are a leading provider of information technology (IT), consulting and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Our clients engage us to help them build more efficient operations, provide solutions to critical business and technology problems, and to help them drive technology-based innovation and growth. Our core competencies include: Business, Process, Operations and IT Consulting, Application Development and Systems Integration, Enterprise Information Management, or EIM, Application Testing, Application Maintenance, IT Infrastructure Services, or IT IS and Business and Knowledge Process Outsourcing, or BPO and KPO. We tailor our services to specific industries and utilize an integrated global delivery model.

Basis of Presentation and Principles of Consolidation. The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP, and reflect the consolidated financial position, results of operations, comprehensive income and cash flows of our consolidated subsidiaries for all periods presented. All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Investments. Cash and cash equivalents consist of all cash balances, including money market funds and liquid instruments. Liquid instruments are classified as cash equivalents when their maturities at the date of purchase are three months or less and as short-term investments when their maturities at the date of purchase are greater than three months.

We determine the appropriate classification of our investments in marketable securities at the date of purchase and reevaluate such designation at each balance sheet date. We have classified and accounted for our marketable securities as available-for-sale. After consideration of our risk versus reward objectives, as well as our liquidity requirements, we may sell these securities prior to their stated maturities. As we view these marketable securities as available to support current operations, we classify such securities with maturities at the date of purchase beyond twelve months as short-term investments because such investments represent an investment in cash that is available for current operations.

Available-for-sale securities are reported at fair value with changes in unrealized gains and losses recorded as a separate component of accumulated other comprehensive income (loss) until realized. We determine the cost of the securities sold based on the specific identification method. Time deposits with financial institutions are valued at cost, which approximates fair value.

Interest and amortization of premiums and discounts for debt securities are included in interest income. We also evaluate our available-for-sale investments periodically for possible other-than-temporary impairment by reviewing factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is generally recorded to income and a new cost basis in the investment is established.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit-worthiness of each customer, historical collections experience and other information, including the aging of the receivables. We evaluate the collectability of our accounts receivable on an on-going basis and write-off accounts when they are deemed to be uncollectible.

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Unbilled Accounts Receivable. Unbilled accounts receivable represent revenues on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

Short-term Financial Assets and Liabilities. Cash and cash equivalents, trade receivables, accounts payable and other accrued liabilities are short-term in nature and, accordingly, their carrying values approximate fair value.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement. Maintenance and repairs are expensed as incurred, while renewals and betterments are capitalized. Deposits paid towards acquisition of long-lived assets and the cost of assets not put in use before the balance sheet date are disclosed under the caption "capital work-in-progress" in Note 4.

Internal Use Software. Costs for software developed or obtained for internal use are capitalized, including the salaries and benefits of employees that are directly involved in the installation and development of such software. The capitalized costs are amortized on a straight-line basis over the lesser of three years or the software's useful life. Costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

Goodwill. We allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values including goodwill and identifiable intangible assets. We test goodwill at the reporting unit level for impairment at least annually or as circumstances warrant. If an impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. We do not have any indefinite-lived intangible assets.

Long-Lived Assets and Intangibles. We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We recognize an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such assets. The impairment loss would equal the amount by which the carrying amount of the asset exceeds the fair value of the asset. Other intangibles consist primarily of customer relationships and developed technology, which are being amortized on a straight-line basis over their estimated useful lives.

Stock Repurchase Program. Our existing stock repurchase program approved by our Board of Directors in December 2010 and subsequently amended during 2011 and 2012 allows for the repurchase of \$1,000,000 of our outstanding shares of Class A common stock. This stock repurchase program, as amended, expires on December 31, 2013. We completed stock repurchases of 13,675,683 shares for \$866,566, inclusive of fees and expenses, under this program. Additional stock repurchases were made in connection with our stock-based compensation plans, whereby Company shares were tendered by employees for payment of applicable statutory tax withholdings. During 2012, 2011, and 2010 such repurchases totaled 532,592, 504,164 and 292,576 shares, respectively, at an aggregate cost of \$34,925, \$35,365 and \$17,136, respectively. At the time of repurchase, shares are returned to the status of authorized and unissued shares. We account for the repurchases as constructively retired and record such repurchases as a reduction of Class A common stock and additional paid-in capital.

Revenue Recognition. Revenues related to time-and-material contracts are recognized as the service is performed. Revenues related to fixed-price contracts that provide for highly complex information technology application development services are recognized as the service is performed using the percentage of completion method of accounting, under which the total value of revenue is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor costs (cost to cost method). Revenues related to fixed-price contracts that provide solely for application maintenance services are recognized on a straight-line basis unless revenues are earned and obligations are fulfilled in a different pattern. Revenues related

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to fixed-price contracts that do not provide for highly complex information technology development services are recognized as services are performed on a proportional performance basis based upon the level of effort. Expenses are recorded as incurred during the contract period.

Revenues related to business process outsourcing, or BPO, contracts entered into on a time-and-material basis are recognized as the services are performed. Revenues from fixed-price BPO contracts are recognized on a straight-line basis, unless revenues are earned and obligations are fulfilled in a different pattern. Revenues from transaction-priced contracts are recognized as transactions are processed. Amounts billable for transition or set-up activities in BPO contracts are deferred and recognized as revenue evenly over the period services are provided. Costs related to delivering BPO services are expensed as incurred with the exception of certain transition costs related to the set-up of processes, personnel and systems, which are deferred during the transition period and expensed evenly over the period of service. The deferred costs are specific costs directly related to transition or set-up activities necessary to enable the BPO services. Generally, deferred amounts are protected in the event of early termination of the contract and are monitored regularly for impairment. Impairment losses are recorded when projected undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of the deferred assets. Deferred transition revenues and costs as of December 31, 2012 and 2011 were immaterial.

Contingent or incentive revenues are recognized when the contingency is satisfied and we conclude the amounts are earned. Volume discounts are recorded as a reduction of revenue over the contract period as services are provided.

For contracts with multiple deliverables, we evaluate at the inception of each new contract all deliverables in an arrangement to determine whether they represent separate units of accounting. For arrangements with multiple units of accounting, primarily fixed-price contracts that provide both application maintenance and application development services and certain application maintenance contracts, arrangement consideration is allocated among the units of accounting, where separable, based on their relative selling price. Relative selling price is determined based on vendor-specific objective evidence, if it exists. Otherwise, third-party evidence of selling price is used, when it is available, and in circumstances when neither vendor-specific objective evidence nor third-party evidence of selling price is available, management's best estimate of selling price is used. Revenue is recognized for each unit of accounting based on our revenue recognition policy described above.

Fixed-price contracts are cancelable subject to a specified notice period. All services provided by us through the date of cancellation are due and payable under the contract terms. We issue invoices related to fixed-price contracts based upon achievement of milestones during a project or other contractual terms. Differences between the timing of billings, based upon contract milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled receivables or deferred revenue. Estimates of certain fixed-price contracts are subject to adjustment as a project progresses to reflect changes in expected completion costs or efforts. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known and any anticipated losses on contracts are recognized immediately. Warranty provisions generally exist under such contracts for a period of up to ninety days past contract completion and costs related to such provisions are accrued at the time the related revenues are recorded.

For all services, revenue is earned when and if evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including price that is fixed or determinable, services that have been rendered and collectability that is reasonably assured. Revenues related to services performed without a signed agreement or work order are not recognized until there is evidence of an arrangement, such as when agreements or work orders are signed or payment is received; however, the cost related to the performance of such work is recognized in the period the services are rendered.

We account for reimbursement of out-of-pocket expenses as revenues. Subcontractor costs are included in cost of services as they are incurred.

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Stock-Based Compensation. Stock-based compensation expense for awards of equity instruments to employees and non-employee directors is determined based on the grant-date fair value of those awards. We recognize these compensation costs net of an estimated forfeiture rate over the requisite service period of the award. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Foreign Currency. The assets and liabilities of our foreign subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars from local currencies at current exchange rates and revenues and expenses are translated from local currencies at average monthly exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) on the accompanying consolidated statements of financial position. The U.S. dollar is the functional currency for certain foreign subsidiaries who conduct business predominantly in U.S. dollars. For these foreign subsidiaries, non-monetary assets and liabilities are remeasured at historical exchange rates, while monetary assets and liabilities are remeasured at current exchange rates. Foreign currency exchange gains or losses from remeasurement are included in income. Net foreign currency exchange (losses) included in our results of operations, inclusive of our undesignated foreign currency hedges, were (\$20,015), (\$8,779), and (\$9,868), for the years ended December 31, 2012, 2011 and 2010, respectively.

Derivative Financial Instruments. Derivative financial instruments are accounted for in accordance with the authoritative guidance which requires that each derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Our derivative financial instruments consist of foreign exchange forward contracts. For derivative financial instruments to qualify for hedge accounting, the following criteria must be met: (1) the hedging instrument must be designated as a hedge; (2) the hedged exposure must be specifically identifiable and expose us to risk; and (3) it is expected that a change in fair value of the derivative financial instrument and an opposite change in the fair value of the hedged exposure will have a high degree of correlation. The authoritative guidance also requires that changes in our derivatives' fair values be recognized in income unless specific hedge accounting and documentation criteria are met (i.e., the instruments are accounted for as hedges). For items to which hedge accounting is applied, we record the effective portion of our derivative financial instruments that are designated as cash flow hedges in accumulated other comprehensive income (loss) in the accompanying consolidated statements of financial position. Any ineffectiveness or excluded portion of a designated cash flow hedge is recognized in income.

Use of Estimates. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the period. On an on-going basis, management reevaluates these estimates. The most significant estimates relate to the recognition of revenue and profits based on the percentage of completion method of accounting for certain fixed-bid contracts, the allowance for doubtful accounts, income taxes, valuation of goodwill and other long-lived assets, valuation of investments and derivative financial instruments, assumptions used in valuing stock-based compensation arrangements, contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying consolidated financial statements.

Risks and Uncertainties. The majority of our development and delivery centers and employees are located in India. As a result, we may be subject to certain risks associated with international operations, including risks associated with foreign currency exchange rate fluctuations and risks associated with the application and imposition of protective legislation and regulations relating to import and export or otherwise resulting from foreign policy or the variability of foreign economic or political conditions. Additional risks associated with international operations include difficulties in enforcing intellectual property rights, the burdens of complying with a wide variety of foreign laws, potential geo-political and other risks associated with terrorist activities and local or cross border conflicts and potentially adverse tax consequences, tariffs, quotas and other barriers.

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Concentration of Credit Risk. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, time deposits, investments in securities, derivative financial instruments and trade accounts receivable. We maintain our cash and cash equivalents and investments with high credit quality financial institutions, invest in investment-grade debt securities and limit the amount of credit exposure to any one commercial issuer. Trade accounts receivable are dispersed across many customers operating in different industries; therefore, concentration of credit risk is limited.

Income Taxes. We provide for income taxes utilizing the asset and liability method of accounting. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. The effect on deferred income tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date. Tax benefits earned on exercise of employee stock options in excess of compensation charged to income are credited to additional paid-in capital. Our provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

Earnings Per Share, or EPS. Basic EPS excludes dilution and is computed by dividing earnings available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS includes all potential dilutive common stock in the weighted average shares outstanding. For purposes of computing diluted earnings per share for the years ended December 31, 2012, 2011 and 2010, respectively, 4,570,000, 7,074,000, and 8,356,000 shares were assumed to have been outstanding related to common share equivalents. We exclude options with exercise prices that are greater than the average market price from the calculation of diluted EPS because their effect would be anti-dilutive. We excluded 19,500 shares in 2012, 12,500 shares in 2011, and zero shares in 2010 from our diluted EPS calculation. Also, in accordance with the authoritative guidance, we excluded from the calculation of diluted EPS options to purchase an additional 79,300 shares in 2012, 38,600 shares in 2011, and 16,500 shares in 2010, whose combined exercise price, unamortized fair value and excess tax benefits were greater in each of those periods than the average market price of our common stock because their effect would be anti-dilutive. We include performance stock unit awards in the dilutive potential common shares when they become contingently issuable per the authoritative guidance and exclude the awards when they are not contingently issuable.

Accounting Changes and New Accounting Standards.

In June 2011, the Financial Accounting Standards Board, or FASB, issued new guidance, which requires that comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate consecutive statements, thus eliminating the option of presenting the components of other comprehensive income as part of the statement of changes in stockholders' equity. This became effective January 1, 2012. We adopted this standard on January 1, 2012 and elected to present comprehensive income in two consecutive statements. The adoption of this standard affects financial statement presentation only and had no effect on our financial condition or consolidated results of operations.

In February 2013, the FASB issued additional guidance related to accumulated other comprehensive income, requiring the presentation of significant amounts reclassified out of accumulated other comprehensive income to the respective line items in the statement of operations. For those amounts required by U.S. GAAP to be reclassified to earnings in their entirety in the same reporting period, this presentation is required either on the statement of operations or in a single footnote. For items that are not required to be reclassified in their entirety to earnings, the presentation requirement can be met by cross-referencing disclosures elsewhere in the footnotes. The pronouncement is effective on a prospective basis effective for interim and annual reporting periods that start after December 15, 2012. The adoption of this standard affects financial statement presentation only and will have no effect on our financial condition or consolidated results of operations.

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In September 2011, the FASB issued new guidance related to goodwill impairment testing. This standard allows, but does not require, an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The new standard gives an entity the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. This standard is effective for periods beginning on January 1, 2012 and the adoption of this standard had no effect on our financial condition or consolidated results of operations.

In December 2011, the FASB issued guidance requiring enhanced disclosures related to the nature of an entity's rights to offset and any related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed and the related net exposure. In January 2013, the FASB issued an additional update clarifying the scope of this guidance. The new guidance will be effective for periods beginning on or after January 1, 2013. The adoption of this standard affects financial statement disclosures only and will have no effect on our financial condition or consolidated results of operations.

Note 2 — Business Combinations

During 2012, we completed three business combinations for total cash consideration of approximately \$28,100 (net of cash acquired). In August of 2012, we entered into a transaction pursuant to which we signed a multi-year service agreement, assumed an assembled workforce, and acquired land, building and other assets. Under the current authoritative business combination guidelines, this transaction qualified as a business combination. This transaction expands our business process outsourcing capabilities within the insurance industry. Additionally, in 2012, we completed two business combinations to strengthen our business and knowledge process outsourcing and research capabilities within the media and healthcare industries. As part of these transactions, we acquired customer relationship assets, assembled workforces, and other assets. In addition, during 2012, we settled contingent payment provisions of approximately \$31,400 related to business combinations completed in prior years.

During 2011, we completed two business combinations for total consideration, including stock, of approximately \$91,000 (net of cash acquired). These transactions strengthen our business process outsourcing and analytics solution offerings and enhance our retail SAP capabilities.

During 2010, we completed three business combinations for total consideration, including stock, of approximately \$46,000 (net of cash acquired). These transactions expand our business process outsourcing expertise within our logistic services, strengthen our business transformation and program management capabilities and expand our testing services within Europe.

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We made an allocation of the purchase price to the tangible and intangible assets and liabilities acquired, including tax deductible goodwill and non-tax deductible goodwill as described in the table below:

	2012	2011	2010
Total initial consideration, net of cash acquired ⁽¹⁾	\$ 28,100	\$ 91,000	\$ 46,000
Purchase price allocated to:			
Tax deductible goodwill	—	21,367	—
Non-deductible goodwill	19,096	44,713	22,600
Intangible assets	10,000	19,400	25,700
Weighted average life of intangible assets	8.6 years	8.2 years	8.6 years

(1) Includes stock consideration in 2011 and 2010.

The acquisitions in 2012, 2011, and 2010 were included in our consolidated financial statements as of the date which they were acquired and were not material to our operations, financial position or cash flows. For additional details of our goodwill and intangible assets see Note 5.

Note 3 — Investments

Investments were as follows as of December 31:

	2012	2011
Available-for-sale investment securities:		
U.S. Treasury and agency debt securities	\$ 551,236	\$ 464,938
Corporate and other debt securities	290,936	202,705
Asset-backed securities	97,112	100,894
Municipal debt securities	47,292	43,889
Mutual funds	21,150	—
Foreign government debt securities	3,620	10,500
Total available-for-sale investment securities	1,011,346	822,926
Time deposits	282,335	298,432
Total investments	\$ 1,293,681	\$ 1,121,358

Our available-for-sale investment securities consist of U.S. dollar denominated investments primarily in U.S. Treasury notes, U.S. government agency debt securities, municipal debt securities, non-U.S. government debt securities, U.S. and international corporate bonds, certificates of deposit, commercial paper, debt securities issued by supranational institutions, mutual funds invested in fixed income securities and asset-backed securities, including those backed by auto loans, credit card receivables, mortgage loans and other receivables. Our investment guidelines are to purchase securities which are investment grade at the time of acquisition. We monitor the credit ratings of the securities in our portfolio on an ongoing basis. The carrying value of the time deposits approximated fair value as of December 31, 2012 and 2011.

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Available-for-Sale Investment Securities

The amortized cost, gross unrealized gains and losses and fair value of available-for-sale investment securities were as follows at December 31:

	2012		
	Amortized Cost	Unrealized Gains	Unrealized Losses
U.S. Treasury and agency debt securities	\$ 550,317	\$ 972	\$ (53)
Corporate and other debt securities	289,146	1,812	(22)
Asset-backed securities	97,004	237	(129)
Municipal debt securities	47,266	93	(67)
Mutual funds	21,583	—	(433)
Foreign government debt securities	3,590	30	—
Total available-for-sale investment securities	<u>\$1,008,906</u>	<u>\$ 3,144</u>	<u>\$ (704)</u>

	2011		
	Amortized Cost	Unrealized Gains	Unrealized Losses
U.S. Treasury and agency debt securities	\$ 463,318	\$ 1,742	\$ (122)
Corporate and other debt securities	202,284	902	(481)
Asset-backed securities	101,068	100	(274)
Municipal debt securities	43,873	101	(85)
Foreign government debt securities	10,397	105	(2)
Total available-for-sale investment securities	<u>\$ 820,940</u>	<u>\$ 2,950</u>	<u>\$ (964)</u>

The fair value and related unrealized losses of available-for-sale investment securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer were as follows as of December 31:

	2012					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency debt securities	\$ 120,118	\$ (53)	\$ —	\$ —	\$ 120,118	\$ (53)
Corporate and other debt securities	25,662	(21)	699	(1)	26,361	(22)
Asset-backed securities	27,180	(93)	1,499	(36)	28,679	(129)
Municipal debt securities	7,908	(32)	696	(35)	8,604	(67)
Mutual funds	21,150	(433)	—	—	21,150	(433)
Total	<u>\$ 202,018</u>	<u>\$ (632)</u>	<u>\$ 2,894</u>	<u>\$ (72)</u>	<u>\$ 204,912</u>	<u>\$ (704)</u>

	2011					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency debt securities	\$ 122,124	\$ (122)	\$ —	\$ —	\$ 122,124	\$ (122)
Corporate and other debt securities	75,076	(481)	—	—	75,076	(481)
Asset-backed securities	58,503	(241)	2,292	(33)	60,795	(274)
Municipal debt securities	5,149	(17)	1,732	(68)	6,881	(85)
Foreign government debt securities	1,507	(2)	—	—	1,507	(2)
Total	<u>\$ 262,359</u>	<u>\$ (863)</u>	<u>\$ 4,024</u>	<u>\$ (101)</u>	<u>\$ 266,383</u>	<u>\$ (964)</u>

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The unrealized losses for the above securities as of December 31, 2012 and 2011 are primarily attributable to changes in interest rates. As of December 31, 2012, we do not consider any of the investments to be other-than-temporarily impaired. The gross unrealized gains and losses in the above tables were recorded, net of tax, in accumulated other comprehensive income (loss).

The contractual maturities of our fixed income available-for-sale investment securities as of December 31, 2012 are set forth in the following table:

	Amortized Cost	Fair Value
Due within one year	\$ 147,037	\$ 147,304
Due after one year up to two years	379,383	380,735
Due after two years up to three years	362,297	363,434
Due after three years up to four years	1,602	1,611
Asset-backed securities	97,004	97,112
Fixed income available-for-sale investment securities	<u>\$ 987,323</u>	<u>\$990,196</u>

Asset-backed securities were excluded from the maturity categories because the actual maturities may differ from the contractual maturities since the underlying receivables may be prepaid without penalties. Further, actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty.

Proceeds from sales of available-for-sale investment securities and the gross gains and losses that have been included in earnings as a result of those sales were as follows for the years ended December 31:

	2012	2011	2010
Proceeds from sales of available-for-sale investment securities	<u>\$697,406</u>	<u>\$652,992</u>	<u>\$195,693</u>
Gross gains	\$ 2,410	\$ 3,102	\$ 778
Gross losses	(402)	(785)	(124)
Net gains on sales of available-for-sale investment securities	<u>\$ 2,008</u>	<u>\$ 2,317</u>	<u>\$ 654</u>

4. Property and Equipment, net

Property and equipment were as follows as of December 31:

	Estimated Useful Life (Years)	2012	2011
Buildings	30	\$ 423,340	\$ 321,280
Computer equipment and software	3	352,147	291,883
Furniture and equipment	5 - 9	240,988	186,983
Land		20,396	16,042
Leasehold land		60,306	39,186
Capital work-in-progress		256,272	211,140
Leasehold improvements	Shorter of the lease term or the life of the leased asset	191,829	147,026
Sub-total		<u>1,545,278</u>	<u>1,213,540</u>
Accumulated depreciation and amortization		<u>(573,792)</u>	<u>(455,506)</u>
Property and equipment, net		<u>\$ 971,486</u>	<u>\$ 758,034</u>

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Depreciation and amortization expense related to property and equipment was \$137,561, \$107,257, and \$93,190 for the years ended December 31, 2012, 2011, and 2010, respectively.

In India, leasehold land is leased by us from the government of India with lease terms ranging up to 99 years. Lease payments are made at the inception of the lease agreement and amortized over the lease term. Amortization expense of leasehold land is immaterial for the periods presented and is included in depreciation and amortization expense in our accompanying consolidated statements of operations.

5. Goodwill and Intangible Assets, net

Changes in goodwill were as follows for the years ended December 31:

	2012	2011
Balance, beginning of year	\$288,772	\$223,963
Business combinations	19,096	66,080
Cumulative translation adjustments	1,317	(1,271)
Balance, end of year	\$309,185	\$288,772

In 2012 and 2011, the increase in goodwill was primarily related to business combinations completed during the period. No impairment losses were recognized during the three years ended December 31, 2012.

Goodwill has been allocated to our reportable segments as follows as of December 31:

	2012	2011
Financial Services	\$137,677	\$126,550
Healthcare	78,977	70,977
Manufacturing/Retail/Logistics	48,304	48,057
Other	44,227	43,188
Total goodwill	\$309,185	\$288,772

Components of intangible assets were as follows as of December 31:

	2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 142,653	\$ (67,058)	\$ 75,595
Developed technology	4,222	(2,204)	2,018
Other	13,921	(4,059)	9,862
Total intangible assets	\$ 160,796	\$ (73,321)	\$ 87,475

	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 134,285	\$ (50,698)	\$ 83,587
Developed technology	4,158	(1,275)	2,883
Other	13,216	(2,070)	11,146
Total intangible assets	\$ 151,659	\$ (54,043)	\$ 97,616

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All of the intangible assets have finite lives and as such are subject to amortization. Amortization of intangible assets totaled \$19,027 for 2012, \$16,918 for 2011, and \$16,982 for 2010. During 2012, 2011 and 2010, amortization expense of \$7,499, \$6,774 and \$6,297, respectively, relating to customer relationship intangible assets was recorded as a reduction of revenues. These intangible assets are attributed to direct revenue contracts with sellers of acquired businesses.

Estimated amortization expense related to our existing intangible assets for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,220
2014	17,513
2015	12,467
2016	11,874
2017	10,275

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Compensation and benefits	\$ 661,816	\$ 632,649
Income taxes	29,570	27,676
Professional fees	35,366	32,861
Travel and entertainment	26,417	18,215
Customer volume incentives	142,945	104,989
Derivative financial instruments	130,923	126,731
Deferred income taxes	454	73
Other	91,436	88,593
Total accrued expenses and other current liabilities	<u>\$1,118,927</u>	<u>\$1,031,787</u>

7. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) were as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Foreign currency translation adjustments	\$ 11,572	\$ (3,561)
Unrealized (loss) on cash flow hedges, net of taxes	(252,810)	(323,039)
Unrealized gain on available-for-sale securities, net of taxes	1,555	1,206
Total accumulated other comprehensive income (loss)	<u>\$(239,683)</u>	<u>\$(325,394)</u>

8. Employee Benefits

We contribute to defined contribution plans in the United States and Europe, including a 401(k) savings and supplemental retirement plans in the United States. Total expenses for company contributions to these plans were \$24,789, \$19,453, and \$13,447 for the years ended December 31, 2012, 2011, and 2010, respectively.

We maintain employee benefit plans that cover substantially all India-based employees. The employees' provident fund, pension and family pension plans are statutory defined contribution retirement benefit plans.

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Under the plans, employees contribute up to 12% of their base compensation, which is matched by an equal contribution by the Company. For these plans, we recognized a contribution expense of \$54,125, \$49,200, and \$35,049 for the years ended December 31, 2012, 2011, and 2010, respectively.

We also maintain a gratuity plan in India that is a statutory post-employment benefit plan providing defined lump sum benefits. We make annual contributions to an employees' gratuity fund established with a government-owned insurance corporation to fund a portion of the estimated obligation. Accordingly, our liability for the gratuity plan reflects the undiscounted benefit obligation payable as of the balance sheet date which was based upon the employees' salary and years of service. As of December 31, 2012 and 2011, the amount accrued under the gratuity plan was \$56,737 and \$39,916, which is net of fund assets of \$50,427 and \$40,744, respectively. Expense recognized by us was \$28,496, \$29,703, and \$16,949 for the years ended December 31, 2012, 2011, and 2010, respectively.

9. Income Taxes

Income before provision for income taxes shown below is based on the geographic location to which such income is attributed for years ended December 31:

	2012	2011	2010
United States	\$ 381,940	\$ 344,143	\$ 220,234
Foreign	1,005,656	825,006	658,346
Income before provision for income taxes	<u>\$1,387,596</u>	<u>\$1,169,149</u>	<u>\$ 878,580</u>

The provision for income taxes consists of the following components for the years ended December 31:

	2012	2011	2010
Current:			
Federal and state	\$265,826	\$ 120,441	\$ 110,713
Foreign	188,415	173,689	86,236
Total current	<u>454,241</u>	<u>294,130</u>	<u>196,949</u>
Deferred:			
Federal and state	(99,649)	26,549	(12,597)
Foreign	(18,259)	(35,148)	(39,312)
Total deferred	<u>(117,908)</u>	<u>(8,599)</u>	<u>(51,909)</u>
Total provision for income taxes	<u>\$ 336,333</u>	<u>\$285,531</u>	<u>\$ 145,040</u>

The reconciliation between our effective income tax rate and the U.S. federal statutory rate is as follows:

	2012	%	2011	%	2010	%
Tax expense, at U.S. federal statutory rate	\$ 485,659	35.0	\$ 409,202	35.0	\$ 307,503	35.0
State and local income taxes, net of federal benefit	24,032	1.7	20,373	1.7	13,699	1.6
Non-taxable income for Indian tax purposes	(151,789)	(10.9)	(125,708)	(10.8)	(166,800)	(19.0)
Rate differential on foreign earnings	(22,126)	(1.6)	(26,030)	(2.2)	(17,733)	(2.0)
Other	557	0.0	7,694	0.7	8,371	0.9
Total provision for income taxes	<u>\$ 336,333</u>	24.2	<u>\$ 285,531</u>	24.4	<u>\$ 145,040</u>	16.5

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The significant components of deferred income tax assets and liabilities recorded on the consolidated statements of financial position were as follows as of December 31:

	2012	2011
Deferred income tax assets:		
Net operating losses	\$ 10,911	\$ 9,742
Revenue recognition	31,628	33,083
Compensation and benefits	99,110	60,358
Stock-based compensation	26,993	30,366
Minimum alternative tax (MAT) and other credits	178,244	120,843
Other	62,416	55,882
	<u>409,302</u>	<u>310,274</u>
Less valuation allowance	(6,288)	(10,365)
Deferred income tax assets, net	<u>403,014</u>	<u>299,909</u>
Deferred income tax liabilities:		
Undistributed Indian earnings	5,601	5,689
Depreciation and amortization	832	—
Intangible assets	19,094	24,398
Deferred income tax liabilities	<u>25,527</u>	<u>30,087</u>
Net deferred income tax assets	<u>\$377,487</u>	<u>\$ 269,822</u>

At December 31, 2012, we had foreign net operating loss carryforwards of approximately \$34,200. We have recorded a full valuation allowance on certain foreign net operating loss carryforwards. As of December 31, 2012 and 2011, deferred income tax assets related to the MAT were approximately \$163,000 and \$112,200, respectively. The calculation of the Minimum Alternate Tax, or MAT, includes all profits realized by our Indian subsidiaries and any MAT paid is creditable against future corporate income tax within a 10-year expiration period, subject to certain limitations. Our existing MAT assets expire between March 2018 and March 2023 and we expect to fully utilize them within the applicable 10-year expiration periods.

Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for period of up to 15 years. Our Indian operations outside of SEZs are subject to corporate income tax at a rate of 32.4%. In addition, all Indian profits, including those generated within SEZs, are subject to the MAT, at the current rate of 20.0%. On March 31, 2011, income tax holidays related to export activities conducted within Software Technology Parks, or STPs, expired. For the years ended December 31, 2012, 2011, and 2010, the effect of the income tax holidays for our STPs and SEZs was to reduce the overall income tax provision and increase net income by approximately \$151,789, \$125,708, and \$166,800, respectively, and increase diluted EPS by \$0.50, \$0.41, and \$0.54, respectively.

During the first quarter of 2002, we made a strategic decision to pursue an international strategy that includes expanded infrastructure investments in India and geographic expansion in Europe and Asia. We do not intend to repatriate our foreign earnings for all periods (except with respect to Indian earnings generated prior to 2002) as such earnings are deemed to be indefinitely reinvested outside the United States. As of December 31, 2012, the amount of unrepatriated Indian earnings and total foreign earnings (including unrepatriated Indian earnings) upon which no incremental U.S. taxes have been recorded is approximately \$3,406,000 and \$3,753,900, respectively. If such earnings are repatriated in the future, or are no longer deemed to be indefinitely reinvested, we will accrue the applicable amount of taxes associated with such earnings at that time. Due to the various methods by which such earnings could be repatriated in the future, it is not practicable to determine the amount of applicable taxes that would result from such repatriation.

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Due to the geographical scope of our operations, we are subject to tax examinations in various jurisdictions. Accordingly, we may record incremental tax expense, based upon the more-likely-than-not standard, for any uncertain tax positions. In addition, when applicable, we adjust the previously recorded income tax expense to reflect examination results when the position is effectively settled. Our ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease our effective income tax rate, as well as impact our operating results. The specific timing of when the resolution of each tax position will be reached is uncertain.

Changes in unrecognized income tax benefits were as follows for the years ended December 31:

	2012	2011
Balance, beginning of year	\$56,526	\$ 22,950
Additions based on tax positions related to the current year	37,270	16,897
Additions for tax positions of prior years	7,847	7,559
Additions for tax positions of acquired subsidiaries	88	16,056
Reductions for tax positions due to lapse of statutes of limitations	(8,816)	(4,190)
Settlements	—	(1,591)
Foreign currency exchange movement	(194)	(1,155)
Balance, end of year	\$ 92,721	\$56,526

At December 31, 2012, the entire balance of unrecognized income tax benefits would affect our effective income tax rate, if recognized. While the Company believes uncertain tax positions may be settled within the next twelve months, it is difficult to estimate the income tax impact of these potential resolutions at this time. We recognize accrued interest and penalties associated with uncertain tax positions as part of our provision for income taxes. The total amount of accrued interest and penalties at December 31, 2012 and 2011 was approximately \$8,209 and \$10,884, respectively, and relates to U.S. and foreign tax matters. The amount of interest and penalties expensed in 2012, 2011, and 2010 were immaterial.

We file a U.S. federal consolidated income tax return. The U.S. federal statute of limitations remains open for the years 2009 and onward. The statute of limitations for state audits varies by state. Years still under examination by foreign tax authorities are years 2001 and forward.

Note 10 — Fair Value Measurements

We measure our cash equivalents, investments and foreign exchange forward contracts at fair value. The authoritative guidance defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

- Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

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- Level 3—Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$411,512	\$ —	\$—	\$ 411,512
Time deposits	—	300,770	—	300,770
Commercial paper	—	7,918	—	7,918
Total cash equivalents	<u>411,512</u>	<u>308,688</u>	<u>—</u>	<u>720,200</u>
Investments:				
Time deposits	—	282,335	—	282,335
Available-for-sale investment securities:				
U.S. Treasury and agency debt securities	392,067	159,169	—	551,236
Corporate and other debt securities	—	290,936	—	290,936
Asset-backed securities	—	97,112	—	97,112
Municipal debt securities	—	47,292	—	47,292
Mutual funds	—	21,150	—	21,150
Foreign government debt securities	—	3,620	—	3,620
Total available-for-sale investment securities	<u>392,067</u>	<u>619,279</u>	<u>—</u>	<u>1,011,346</u>
Total investments	<u>392,067</u>	<u>901,614</u>	<u>—</u>	<u>1,293,681</u>
Derivative financial instruments – foreign exchange forward contracts:				
Other current assets	—	1,344	—	1,344
Accrued expenses and other current liabilities	—	(130,923)	—	(130,923)
Other noncurrent assets	—	3,436	—	3,436
Other noncurrent liabilities	—	(175,628)	—	(175,628)
Total	<u>\$803,579</u>	<u>\$ 908,531</u>	<u>\$—</u>	<u>\$ 1,712,110</u>

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The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 128,004	\$ —	\$ —	\$ 128,004
Time deposits	—	13,283	—	13,283
Commercial paper	—	11,626	—	11,626
Total cash equivalents	128,004	24,909	—	152,913
Investments:				
Time deposits	—	298,432	—	298,432
Available-for-sale investment securities:				
U.S. Treasury and agency debt securities	326,659	138,279	—	464,938
Corporate and other debt securities	—	202,705	—	202,705
Asset-backed securities	—	100,894	—	100,894
Municipal debt securities	—	43,889	—	43,889
Foreign government debt securities	—	10,500	—	10,500
Total available-for-sale investment securities	326,659	496,267	—	822,926
Total investments	326,659	794,699	—	1,121,358
Derivative financial instruments – foreign exchange forward contracts:				
Other current assets	—	30,935	—	30,935
Accrued expenses and other current liabilities	—	(126,731)	—	(126,731)
Other noncurrent liabilities	—	(259,104)	—	(259,104)
Total	\$ 454,663	\$ 464,708	\$ —	\$ 919,371

We measure the fair value of money market funds and U.S. Treasury securities based on quoted prices in active markets for identical assets. The fair value of commercial paper, certificates of deposit, U.S. government agency securities, municipal debt securities, U.S. and international corporate bonds and foreign government debt securities is measured based on relevant trade data, dealer quotes, or model driven valuations using significant inputs derived from or corroborated by observable market data, such as yield curves and credit spreads. We measure the fair value of our asset-backed securities using model driven valuations based on significant inputs derived from or corroborated by observable market data such as dealer quotes, available trade information, spread data, current market assumptions on prepayment speeds and defaults and historical data on deal collateral performance. The value of the mutual funds invested in fixed income securities is based on the net asset value, or NAV of the fund, with appropriate consideration to the liquidity and any restrictions on disposition of the investment in the fund.

We estimate the fair value of each foreign exchange forward contract by using a present value of expected cash flows model. This model calculates the difference between the current market forward price and the contracted forward price for each foreign exchange contract and applies the difference in the rates to each outstanding contract. The market forward rates include a discount and credit risk factor. The amounts are aggregated by type of contract and maturity.

During the years ended December 31, 2012 and 2011, there were no transfers among Level 1, Level 2, or Level 3 financial assets and liabilities.

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Note 11 — Derivative Financial Instruments

In the normal course of business, we use foreign exchange forward contracts to manage foreign currency exchange rate risk. The estimated fair value of the foreign exchange forward contracts considers the following items: discount rate, timing and amount of cash flow and counterparty credit risk. Derivatives may give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to us. We have limited our credit risk by entering into derivative transactions only with highly-rated global financial institutions, limiting the amount of credit exposure with any one financial institution and conducting ongoing evaluation of the creditworthiness of the financial institutions with which we do business.

The following table provides information on the location and fair values of derivative financial instruments included in our consolidated statements of financial position as of December 31:

Designation of Derivatives	Location on Statement of Financial Position	2012		2011	
		Assets	Liabilities	Assets	Liabilities
Cash Flow Hedges – Designated as hedging instruments					
Foreign exchange forward contracts	Other current assets	\$ 1,230	\$ —	\$ —	\$ —
	Other noncurrent assets	3,436	—	—	—
	Accrued expenses and other current liabilities	—	125,633	—	126,536
	Other noncurrent liabilities	—	175,628	—	259,104
	Total	4,666	301,261	—	385,640
Other Derivatives – Not designated as hedging instruments					
Foreign exchange forward contracts	Other current assets	114	—	30,935	—
	Accrued expenses and other current liabilities	—	5,290	—	195
	Total	114	5,290	30,935	195
Total		\$ 4,780	\$ 306,551	\$ 30,935	\$ 385,835

Cash Flow Hedges

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges of Indian rupee denominated payments in India. These contracts are intended to partially offset the impact of movement of exchange rates on future operating costs and are scheduled to mature each month during 2013, 2014, 2015 and 2016. Under these contracts, we purchase Indian rupees and sell U.S. dollars. The changes in fair value of these contracts are initially reported in the caption "accumulated other comprehensive income (loss)" in our consolidated statements of financial position and are subsequently reclassified to earnings in the same period the hedge contract matures. As of December 31, 2012, we estimate that \$106,000 of the net losses related to derivatives designated as cash flow hedges recorded in accumulated other comprehensive income (loss) is expected to be reclassified into earnings within the next 12 months.

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The notional value of our outstanding contracts by year of maturity and the net unrealized (loss) gain included in accumulated other comprehensive income (loss) for such contracts were as follows as of December 31:

	2012	2011
2012	\$ —	\$ 1,193,500
2013	1,253,000	1,080,000
2014	1,200,000	810,000
2015	780,000	420,000
2016	120,000	—
Total notional value of contracts outstanding	<u>\$ 3,353,000</u>	<u>\$ 3,503,500</u>
Net unrealized (loss) included in accumulated other comprehensive income (loss), net of taxes	<u>\$ (252,810)</u>	<u>\$ (323,039)</u>

Upon settlement or maturity of the cash flow hedge contracts, we record the related gain or loss, based on our designation at the commencement of the contract, to Indian rupee denominated expense reported within cost of revenues and selling, general and administrative expenses. Hedge ineffectiveness was immaterial for all periods presented.

The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the years ended December 31:

	Increase (decrease) in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Derivative Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
	2012	2011		2012	2011
Cash Flow Hedges – Designated as hedging instruments					
Foreign exchange forward contracts	<u>\$ (7,065)</u>	<u>\$ (399,205)</u>	Cost of revenues	\$ (79,335)	\$ 15,294
			Selling, general and administrative expenses	(16,775)	3,480
			Total	<u>\$ (96,110)</u>	<u>\$ 18,774</u>

The activity related to the change in net unrealized (losses) gains on cash flow hedges in accumulated other comprehensive income (loss) was as follows:

	2012	2011
Net unrealized (losses) gains on cash flow hedges, net of taxes, beginning of period	\$ (323,039)	\$ 30,723
Change in fair value, net of tax	(10,613)	(339,553)
Reclassification into earnings, net of tax	80,842	(14,209)
Net unrealized (losses) gains on cash flow hedges, net of taxes, end of period	<u>\$ (252,810)</u>	<u>\$ (323,039)</u>

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Other Derivatives

We use foreign exchange forward contracts, which have not been designated as hedges, to hedge balance sheet exposure to certain monetary assets and liabilities denominated in currencies other than the functional currency of our foreign subsidiaries. We entered into a series of foreign exchange forward contracts scheduled to mature in 2013 which are primarily to purchase U.S. dollars and sell Indian rupees. Realized gains or losses and changes in the estimated fair value of these derivative financial instruments are recorded in Other, net in our consolidated statements of operations.

Additional information related to our outstanding contracts is as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Notional value of contracts outstanding	<u>\$208,571</u>	<u>\$234,239</u>

The following table provides information on the location and amounts of realized and unrealized pre-tax gains (losses) on our other derivative financial instruments for years ended December 31, 2012 and 2011.

	<u>Location of Net Gains/(Losses) on Derivative Instruments</u>	<u>Amount of Net Gains (Losses) on Derivative Instruments</u>	
		<u>2012</u>	<u>2011</u>
Other Derivatives – Not designated as hedging instruments			
Foreign exchange forward contracts	Other, net	<u>\$ (8,270)</u>	<u>\$ 23,621</u>

The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

12. Stock-Based Compensation Plans

On June 5, 2009, our stockholders approved the adoption of the Cognizant Technology Solutions Corporation 2009 Incentive Compensation Plan (the "2009 Incentive Plan"), under which 24,000,000 shares of our Class A common stock were reserved for issuance. The 2009 Incentive Plan is the successor plan to our Amended and Restated 1999 Incentive Compensation Plan which terminated on April 13, 2009 in accordance with its terms (the "1999 Incentive Plan"), our Amended and Restated Non-Employee Directors' Stock Option Plan (the "Director Plan") and our Amended and Restated Key Employees' Stock Option Plan (the "Key Employee Plan") which terminated in July 2009 (collectively, the "Predecessor Plans"). The 2009 Incentive Plan will not affect any options or stock issuances outstanding under the Predecessor Plans. No further awards will be made under the Predecessor Plans. As of December 31, 2012, we have 13,982,728 shares available for grant under the 2009 Incentive Plan.

Stock options granted to employees under our plans have a life ranging from seven to ten years, vest proportionally over four years, unless specified otherwise, and have an exercise price equal to the fair market value of the common stock on the date of grant. Grants to non-employee directors vest proportionally over two years. Stock-based compensation expense relating to stock options is recognized on a straight-line basis over the requisite service period.

Restricted stock units vest proportionately in quarterly or annual installments over three years. Stock-based compensation expense relating to restricted stock units is recognized on a straight-line basis over the requisite service period.

We granted performance stock units that cliff vest after three years, principally to executive officers, and performance stock units that vest over periods ranging from one to three years to employees, including the executive officers. The vesting of performance stock units is contingent on both meeting revenue performance targets and continued service. Stock-based compensation costs for performance stock units that cliff vest are

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recognized on a straight-line basis and awards that vest proportionally are recognized on a graded-vesting basis over the vesting period based on the most probable outcome of the performance conditions. If the minimum performance targets are not met, no compensation cost is recognized and any recognized compensation cost is reversed.

The Company's 2004 Employee Stock Purchase Plan (the "Purchase Plan"), as amended in 2010, provides for the issuance of up to 9,000,000 shares of Class A common stock to eligible employees. The Purchase Plan provides for eligible employees to purchase whole shares of Class A common stock at a price of 90% of the lesser of: (a) the fair market value of a share of Class A common stock on the first date of the purchase period or (b) the fair market value of a share of Class A common stock on the last date of the purchase period. Stock-based compensation expense for the Purchase Plan is recognized over the vesting period of three months on a straight-line basis. As of December 31, 2012, we had 1,960,418 shares available for future grants and issuances under the Purchase Plan.

The allocation of total stock-based compensation expense between cost of revenues and selling, general and administrative expenses as well as the related income tax benefit were as follows for the three years ended December 31:

	2012	2011	2010
Cost of revenues	\$ 16,773	\$15,257	\$ 13,147
Selling, general and administrative expenses	90,582	74,975	43,837
Total stock-based compensation expense	\$107,355	\$ 90,232	\$56,984
Income tax benefit	\$ 26,206	\$21,510	\$ 13,453

We estimate the fair value of each stock option granted using the Black-Scholes option-pricing model. For the years ended December 31, 2012, 2011 and 2010, expected volatility was calculated using implied market volatilities. In addition, the expected term, which represents the period of time, measured from the grant date, that vested options are expected to be outstanding, was derived by incorporating exercise and post-vest termination assumptions, based on historical data, in a Monte Carlo simulation model. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. We have not paid any dividends. Forfeiture assumptions used in amortizing stock-based compensation expense are based on an analysis of historical data.

The fair values of option grants, including the Purchase Plan, were estimated at the date of grant during the years ended December 31, 2012, 2011, and 2010 based upon the following assumptions and were as follows:

	2012	2011	2010
Dividend yield	0%	0%	0%
Weighted average volatility factor:			
Stock options	36.71%	31.87%	39.98%
Purchase Plan	32.31%	34.66%	33.35%
Weighted average expected life (in years):			
Stock options	3.69	3.54	3.53
Purchase Plan	0.25	0.25	0.25
Weighted average risk-free interest rate:			
Stock options	0.43%	1.06%	1.55%
Purchase Plan	0.06%	0.05%	0.13%
Weighted average grant date fair value:			
Stock options	\$16.77	\$18.85	\$15.35
Purchase Plan	\$ 11.13	\$ 12.21	\$ 8.75

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During the year ended December 31, 2012, we issued 934,892 shares of Class A common stock under the Purchase Plan with a total vested fair value of approximately \$10,409.

A summary of the activity for stock options granted under our stock-based compensation plans as of December 31, 2012 and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price (in dollars)	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2012	10,498,661	\$ 23.06		
Granted	90,000	59.65		
Exercised	(4,773,216)	15.88		
Cancelled	(7,500)	31.06		
Expired	(6,599)	32.04		
Outstanding at December 31, 2012	5,801,346	\$ 29.52	3.73	\$257,461
Vested and expected to vest at December 31, 2012	5,787,914	\$ 29.44	3.73	\$257,305
Exercisable at December 31, 2012	5,674,846	\$ 28.76	3.68	\$256,101

As of December 31, 2012, \$1,244 of total remaining unrecognized stock-based compensation cost related to stock options is expected to be recognized over the weighted-average remaining requisite service period of 1.15 years. The total intrinsic value of options exercised was \$256,623, \$136,182, and \$270,349 for the years ended December 31, 2012, 2011, and 2010, respectively.

The fair value of performance stock units and restricted stock units is determined based on the number of stock units granted and the quoted price of our stock at date of grant.

A summary of the activity for performance stock units granted under our stock-based compensation plans as of December 31, 2012 and changes during the year then ended is presented below. The presentation reflects the number of performance stock units at the maximum performance milestones.

	Number of Units	Weighted Average Grant Date Fair Value (in dollars)
Unvested at January 1, 2012	1,828,928	\$ 64.56
Granted	1,113,745	67.10
Vested	(446,253)	60.23
Forfeited	(24,759)	69.02
Reduction due to the achievement of lower than maximum performance milestones	(700,367)	65.42
Unvested at December 31, 2012	1,771,294	\$ 66.84

As of December 31, 2012, \$71,225 of total remaining unrecognized stock-based compensation cost related to performance stock units is expected to be recognized over the weighted-average remaining requisite service period of 2.20 years.

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A summary of the activity for restricted stock units granted under our stock-based compensation plans as of December 31, 2012 and changes during the year then ended is presented below:

	Number of Units	Weighted Average Grant Date Fair Value (In dollars)
Unvested at January 1, 2012	2,160,591	\$ 66.08
Granted	745,275	67.75
Vested	(1,024,014)	61.21
Forfeited	(97,117)	67.37
Unvested at December 31, 2012	<u>1,784,735</u>	\$ 69.39

As of December 31, 2012, \$101,935 of total remaining unrecognized stock-based compensation cost related to restricted stock units is expected to be recognized over the weighted-average remaining requisite service period of 2.03 years.

Note 13 — Commitments and Contingencies

We lease office space and equipment under operating leases, which expire at various dates through the year 2024. Certain leases contain renewal provisions and generally require us to pay utilities, insurance, taxes, and other operating expenses. Future minimum rental payments under non-cancelable operating leases as of December 31, 2012 are as follows:

2013	\$ 124,644
2014	121,172
2015	106,027
2016	81,806
2017	62,164
Thereafter	<u>228,501</u>
Total minimum lease payments	<u>\$ 724,314</u>

Rental expense totaled \$147,576, \$122,035, and \$94,863 years ended December 31, 2012, 2011, and 2010, respectively.

Our current India real estate development program includes planned construction of 10.5 million square feet of new space between 2011 and the end of 2015. This program includes the expenditure of over \$700,000 during this period on land acquisition, facilities construction and furnishings to build new company-owned state-of-the-art IT development and delivery centers in regions primarily designated as SEZs located in India. As of December 31, 2012, we had outstanding fixed capital commitments of approximately \$163,484 related to our India development center expansion program.

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such claims and legal actions, if decided adversely, is not expected to have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, many of our engagements involve projects that are critical to the operations of our customers' business and provide benefits that are difficult to quantify. Any failure in a customer's systems or our failure to meet our contractual obligations to our clients, including any breach involving a customer's confidential information or sensitive data, or our obligations under applicable laws or regulations could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to contractually limit our liability for damages arising from negligent acts, errors, mistakes, or omissions in rendering our services,

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there can be no assurance that the limitations of liability set forth in our contracts will be enforceable in all instances or will otherwise protect us from liability for damages. Although we have general liability insurance coverage, including coverage for errors or omissions, there can be no assurance that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to hold the indemnified party and certain of their affiliated entities harmless with respect to third-party claims related to such matters as our breach of certain representations or covenants, or out of our intellectual property infringement, our gross negligence or willful misconduct or certain other claims made against certain parties. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is not possible to determine the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Historically, we have not made payments under these indemnification agreements so they have not had any impact on our operating results, financial position, or cash flows. However, if events arise requiring us to make payment for indemnification claims under our indemnification obligations in contracts we have entered, such payments could have material impact on our business, results of operations, financial condition and cash flows.

Note 14 — Segment Information

Our reportable segments are: Financial Services, which includes customers providing banking/transaction processing, capital markets and insurance services; Healthcare, which includes healthcare providers and payers as well as life sciences customers; Manufacturing/Retail/Logistics, which includes manufacturers, retailers, travel and other hospitality customers, as well as customers providing logistics services; and Other, which is an aggregation of industry segments each of which, individually, represents less than 10% of consolidated revenues and segment operating profit. The Other reportable segment includes our information, media and entertainment services, communications and high technology operating segments. Our sales managers, account executives, account managers and project teams are aligned in accordance with the specific industries they serve.

Our chief operating decision maker evaluates the Company's performance and allocates resources based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Generally, operating expenses for each operating segment have similar characteristics and are subject to the same factors, pressures and challenges. However, the economic environment and its effects on industries served by our operating segments may affect revenue and operating expenses to differing degrees. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as a per seat charge for use of the development and delivery centers. Certain selling, general and administrative expenses, excess or shortfall of incentive compensation for delivery personnel as compared to target, stock-based compensation expense, a portion of depreciation and amortization and the impact of the settlements of our cash flow hedges are not allocated to individual segments in internal management reports used by the chief operating decision maker. Accordingly, such expenses are excluded from segment operating profit and are separately disclosed as "unallocated" and adjusted only against our total income from operations. Additionally, management has determined that it is not practical to allocate identifiable assets, by segment, since such assets are used interchangeably among the segments.

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Revenues from external customers and segment operating profit, before unallocated expenses, for our reportable segments were as follows for the years ended December 31:

	2012	2011	2010
Revenues:			
Financial Services	\$ 3,035,447	\$ 2,518,422	\$ 1,944,450
Healthcare	1,934,898	1,622,157	1,177,113
Manufacturing/Retail/Logistics	1,498,668	1,197,472	849,643
Other	877,459	783,105	621,183
Total revenue	<u>\$ 7,346,472</u>	<u>\$6,121,156</u>	<u>\$ 4,592,389</u>
Segment Operating Profit:			
Financial Services	\$ 998,339	\$ 872,267	\$ 668,595
Healthcare	724,454	625,052	436,879
Manufacturing/Retail/Logistics	527,970	440,416	283,676
Other	288,052	254,145	208,306
Total segment operating profit	<u>2,538,815</u>	<u>2,191,880</u>	<u>1,597,456</u>
Less: unallocated costs ⁽¹⁾	<u>1,177,319</u>	<u>1,055,412</u>	<u>735,604</u>
Income from operations	<u>\$ 1,361,496</u>	<u>\$ 1,136,468</u>	<u>\$ 861,852</u>

- (1) Includes \$107,355, \$90,232, and \$6,984 of stock-based compensation expense for the years ended December 31, 2012, 2011, and 2010, respectively.

Geographic Area Information

Revenue and long-lived assets, by geographic area, are as follows:

	North America ⁽²⁾	Europe ⁽³⁾	Other ⁽⁵⁾⁽⁶⁾	Total
2012				
Revenues ⁽¹⁾	\$5,836,258	\$1,195,490	\$ 314,724	\$ 7,346,472
Long-lived assets ⁽⁴⁾	52,149	8,696	910,641	971,486
2011				
Revenues ⁽¹⁾	\$ 4,802,958	\$ 1,097,475	\$ 220,723	\$6,121,156
Long-lived assets ⁽⁴⁾	27,387	5,232	725,415	758,034
2010				
Revenues ⁽¹⁾	\$3,582,719	\$ 855,575	\$ 154,095	\$ 4,592,389
Long-lived assets ⁽⁴⁾	12,198	3,687	554,563	570,448

- (1) Revenues are attributed to regions based upon customer location.
(2) Substantially all relates to operations in the United States.
(3) Includes revenue from operations in the United Kingdom of \$764,936, \$698,853, and \$559,297 in 2012, 2011, and 2010, respectively.
(4) Long-lived assets include property and equipment net of accumulated depreciation and amortization.
(5) Includes our operations in Asia Pacific, Middle East and Latin America.
(6) Substantially all of these long-lived assets relate to operations in India.

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15. Quarterly Financial Data (Unaudited)

Summarized quarterly results for the two years ended December 31, 2012 are as follows:

<u>2012</u>	<u>Three Months Ended</u>				<u>Full Year</u>
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	
Revenues	\$ 1,711,349	\$ 1,795,220	\$ 1,891,688	\$ 1,948,215	\$ 7,346,472
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	984,520	1,030,889	1,111,898	1,150,934	4,278,241
Selling, general and administrative expenses	374,178	396,771	384,951	401,746	1,557,646
Depreciation and amortization expense	34,752	35,602	39,453	39,282	149,089
Income from operations	317,899	331,958	355,386	356,253	1,361,496
Net income	243,651	251,932	276,901	278,779	1,051,263
Basic EPS	\$ 0.80	\$ 0.83	\$ 0.93	\$ 0.93	\$ 3.49
Diluted EPS	\$ 0.79	\$ 0.82	\$ 0.91	\$ 0.92	\$ 3.44

<u>2011</u>	<u>Three Months Ended</u>				<u>Full Year</u>
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	
Revenues	\$ 1,371,253	\$ 1,485,242	\$ 1,600,954	\$ 1,663,707	\$ 6,121,156
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	782,176	860,871	924,886	970,689	3,538,622
Selling, general and administrative expenses	296,330	326,718	353,161	352,456	1,328,665
Depreciation and amortization expense	27,382	27,695	29,905	32,419	117,401
Income from operations	265,365	269,958	293,002	308,143	1,136,468
Net income	208,327	208,045	227,119	240,127	883,618
Basic EPS	\$ 0.69	\$ 0.68	\$ 0.75	\$ 0.79	\$ 2.91
Diluted EPS	\$ 0.67	\$ 0.67	\$ 0.73	\$ 0.78	\$ 2.85

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Cognizant Technology Solutions Corporation
Valuation and Qualifying Accounts
For the Years Ended December 31, 2012, 2011, and 2010
(Dollars in Thousands)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Deductions /Other</u>	<u>Balance at End of Period</u>
Accounts receivable allowance for doubtful accounts:					
2012	\$ 24,658	\$ 5,051	\$ —	\$ 3,893	\$25,816
2011	\$ 20,991	\$ 4,516	\$ —	\$ 849	\$ 24,658
2010	\$ 16,465	\$ 5,950	\$ —	\$ 1,424	\$ 20,991
Warranty accrual:					
2012	\$ 12,291	\$ 17,063	\$ —	\$ 14,514	\$ 14,840
2011	\$ 9,094	\$ 14,078	\$ —	\$ 10,881	\$ 12,291
2010	\$ 6,575	\$ 10,384	\$ —	\$ 7,865	\$ 9,094
Valuation allowance—deferred income tax assets:					
2012	\$ 10,365	\$ 1,399	\$ —	\$ 5,476	\$ 6,288
2011	\$ 10,684	\$ 470	\$ —	\$ 789	\$ 10,365
2010	\$ 10,230	\$ 1,362	\$ —	\$ 908	\$ 10,684

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**AMENDED AND RESTATED EXECUTIVE EMPLOYMENT
AND NON-DISCLOSURE, NON-COMPETITION,
AND INVENTION ASSIGNMENT AGREEMENT**

This Amended and Restated Executive Employment and Non-Disclosure, Non-Competition, and Invention Assignment Agreement (this "Agreement") is made as of the ____ day of _____, 20__ (the "Effective Date") by and between Cognizant Technology Solutions Corporation, a Delaware corporation (the "Company" (where applicable, the definition of Company shall include the Company's subsidiaries and affiliates and any successors or assigns)), and _____ ("Employee").

WHEREAS, Employee is currently employed by the Company as its _____; and

WHEREAS, the Company desires to continue to retain the services of Employee; and

WHEREAS, the Parties desire to amend and restate, in its entirety, the parties' prior agreements pertaining to Employee's employment, and set forth the new terms and conditions of Employee's employment by the Company;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the Company and Employee (individually a "Party" and together, the "Parties") agree as follows:

1. Definitions.

(a) "Annual Base Salary" shall mean the rate of annual base salary paid or payable to Employee by the Company (including authorized deferrals and salary reduction amounts) immediately prior to Employee's Termination Date.

(b) "Board" shall mean the Board of Directors of Cognizant Technology Solutions Corporation.

(c) "Cause" shall mean (i) willful malfeasance or willful misconduct by the Employee in connection with his employment, (ii) continuing failure to perform such duties as are reasonably requested by Employee's supervisor, (iii) failure by the Employee to observe material policies of the Company applicable to the Employee, (iv) the commission by the Employee of (x) any felony or (y) any misdemeanor involving moral turpitude, (v) Employee engaging in any fraudulent act or act of embezzlement, or (vi) any material breach of this Agreement.

(d) "Code" means the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

(e) "Disability" means Employee's total and permanent disability as determined in accordance with the Company's long-term disability policy, whether or not Employee is covered by such policy.

(f) "Good Reason" means, the occurrence of one or more of the following events or actions:

- (i) A material diminution by the Company of Employee's authority, duties or responsibilities;
- (ii) A material diminution in Employee's overall compensation package, which is not otherwise caused by an overall policy by the Company to reduce senior employee compensation throughout the Company;
- (iii) The failure of the Company to obtain from its successors the express assumption of this Agreement; or
- (iv) A change, without Employee's consent, in the principal place of work of the Employee to a location that is more than 50 miles from his primary work location as of the date of this Agreement, but only if such change occurs on or after a Change in Control.

(g) "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, and (ii) briefly summarizes the facts and circumstances deemed to provide a basis for termination of Employee's employment under the provision so indicated.

(h) "Termination Date" shall mean the last day of Employee's employment with the Company.

(i) "Termination of Employment" shall mean the termination of Employee's active employment relationship with the Company.

2. Employment. Company hereby continues to employ Employee, and Employee hereby continues to accept such employment, upon the terms and conditions set forth herein.

3. Duties.

(a) Position. Employee continues to be employed as [insert position title] and shall have the duties and responsibilities assigned by [insert title] both upon initial hire and as may be reasonably assigned from time to time. Employee shall perform faithfully and diligently all duties assigned to Employee. Company reserves the right to modify Employee's position and duties at any time in its sole and absolute discretion, provided that the duties assigned are consistent with the position of a senior executive and that Employee continues to report to [insert title].

(b) Best Efforts/Full-time. To the maximum extent permitted by law, Employee agrees to devote Employee's best efforts and entire business time and attention to the Company's Business during the term of Employee's employment with the Company. Employee agrees that, during the term of Employee's employment, except as otherwise approved in writing by the Company, which approval the Company may in its absolute discretion withhold, Employee will not, either directly or indirectly, or for himself/herself or through, on behalf of, or in conjunction with any person, persons or legal entity, operate, engage in, assist, or be employed by any business activity to or for the benefit of any person or entity other than the Company; provided that the

foregoing is not intended to prevent an Employee from pursuing hobbies or participating in any other activity which is not to the detriment of Company. Employee further acknowledges and agrees that Employee has access to the Company's Core Values and Standards of Business Conduct (the "Conduct Code") located at www.cognizant.com, and Employee has read and understands the Conduct Code and shall abide by all the terms of said Conduct Code, as may be amended from time to time, and said Conduct Code shall be incorporated into this Agreement. Employee will abide by all policies and decisions made by Company, as well as all applicable federal, state and local laws, regulations or ordinances. Employee will act in the best interest of Company at all times.

(c) Work Location. Employee's principal place of work shall be located in [insert city, state], or such other location as the parties may agree upon from time to time.

4. At-Will Employment. Employee's employment with the Company will be "at will," meaning it is for no specified term and may be terminated by Employee or the Company at any time, with or without Cause or advance notice, subject to the provisions of Section 9 below.

5. Compensation.

(a) Annual Base Salary. As compensation for Employee's performance of Employee's duties hereunder, Company shall pay to Employee a base salary as most recently determined by the Compensation Committee of the Board and last communicated to the Employee, as may be modified by the Compensation Committee of the Board, payable in accordance with the normal payroll practices of Company, less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. In the event Employee's employment under this Agreement is terminated by either party, for any reason, Employee will earn the Annual Base Salary prorated to the date of termination.

(b) Incentive Compensation. Employee will be eligible to earn incentive compensation as determined by the Compensation Committee of the Board in accordance with the bonus plan(s) provided to Employee by Company, in accordance with the terms and conditions of such plan(s).

(c) Stock Options and Other Equity Awards. Except as set forth herein, this Agreement does not modify or change the existing agreements regarding stock options, stock appreciation rights, restricted stock awards and restricted stock units (each, an "Equity Award" and collectively, "Equity Awards") previously issued to Employee.

6. Customary Fringe Benefits. Employee will be eligible for all customary and usual fringe benefits generally available to Employees of Company subject to the terms and conditions of Company's benefit plan documents. Company reserves the right to change or eliminate the fringe benefits on a prospective basis, at any time, effective upon notice to Employee.

7. Business Expenses. Employee will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of Employee's duties on behalf of Company. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation in accordance with Company's policies.

8. Company Access. Employee agrees and consents that, during the term of Employee's employment with the Company and thereafter, the Company may review, audit, intercept, access and disclose all messages created, received or sent over the electronic mail and internet access system provided by the Company with or without notice to Employee and that such review, audit, interception, access, or disclosure may occur during or after working hours. Employee further consents and agrees that the Company may, at any time, access and review the contents of all computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on the Company's premises or which are owned or provided by the Company.

9. Involuntary Termination of Employment.

(a) Prior to a Change in Control. In the event that Employee's employment with the Company is involuntarily terminated by the Company for any reason other than Cause, death or Disability or in the event Employee resigns his employment for Good Reason pursuant to Section 10 and the Company's right to cure (as set forth in Section 10) has expired (an "Involuntary Termination"), and in either such case Employee's employment termination becomes effective before any Change in Control (as defined in Section 9(e) below) has occurred following the date of this Agreement, Employee shall be entitled to the payments and benefits described below, provided that Employee executes and does not revoke the Release (as defined in Section 11) and the Release first becomes effective:

(i) Employee shall receive continued payment of the Employee's Annual Base Salary, paid in regular installments in accordance with the Company's normal payroll practices, over a period of twenty-two (22) months, commencing on or as soon as practicable after the date the Release becomes effective and within thirty-five days following Employee's Termination Date.

(ii) The Company shall, for a period of twelve (12) months following the date of Employee's Termination of Employment, pay the Employee each month an amount equal to the monthly COBRA medical insurance cost under the Company's group medical plan for Employee and, where applicable, Employee's spouse and eligible dependents; provided that Employee, and, where applicable, Employee's spouse and dependents, are eligible for and timely elect to receive COBRA healthcare continuation coverage and provided further that the payments specified under this Section 9(a)(ii) shall cease if the Company's statutory obligation to provide such COBRA healthcare continuation coverage terminates for any reason before the expiration of the 12-month period.

(iii) The portion of any outstanding Equity Awards that were subject to vesting solely upon continuous service with the Company and would have vested had Employee remained employed by the Company during the twelve (12) month period following Employee's Termination Date shall automatically become fully vested and exercisable, as applicable, as of Employee's Termination Date. Such Equity Awards shall continue to be governed by and exercised, settled or paid in accordance with the terms of the applicable award agreement.

(iv) With respect to any outstanding Equity Award that was subject to vesting in whole or in part based on achievement of performance objective(s), to the extent that the applicable performance period has expired on or before Employee's Termination Date, the performance objective(s) has/have been satisfied and the only condition to vesting that remains is continuous service until one or more future dates, the portion of such Equity Award that would have vested had Employee remained employed by the Company during the twelve (12) month period following Employee's Termination Date shall become fully vested and exercisable as of Employee's Termination Date. Such Equity Award shall continue to be governed by and exercised, settled or paid in accordance with the terms of the applicable award agreement.

(v) Employee shall receive any amounts earned, accrued and owing but not yet paid to Employee as of Employee's Termination Date and any benefits accrued and earned in accordance with the terms of any applicable benefit plans and programs of the Company. The payment of amounts described in this Section 9(a)(v) are not conditioned upon the Release becoming effective unless the applicable benefit plan or program provides otherwise.

(b) Coincident with or within One Year After a Change in Control. In the event that Employee suffers an Involuntary Termination that becomes effective coincident with, or within the twelve (12) month period immediately after, the first occurrence of a Change in Control following the date of this Agreement, Employee shall be entitled to the payments and benefits described below in this Section 9(b) in lieu of, and not in addition to, the payments and benefits described in Section 9(a); provided that Employee executes and does not revoke the Release (as defined in Section 11) and the Release first becomes effective:

(i) Employee shall receive a cash payment equal to one times Employee's Annual Base Salary, such amount to be paid in regular installments in accordance with the Company's normal payroll practices over a period of twelve (12) months, commencing on or as soon as practicable after the date the Release becomes effective and within thirty-five days following Employee's Termination Date.

(ii) Employee shall receive a cash payment equal to the amount of the target annual bonus that the Employee would otherwise have been eligible to receive for the performance year in which the Employee's Termination Date occurs, assuming for this purpose that the Employee and Company achieved 100% of applicable performance targets and objectives. Payment shall be made in a lump sum payment on or as soon as practicable after the date the Release becomes effective and within thirty-five days following Employee's Termination Date.

(iii) The Company shall, for a period of twelve (12) months following the date of Employee's Termination of Employment, pay Employee each month an amount equal to the monthly COBRA medical insurance cost under the Company's group medical plan for Employee and, where applicable, Employee's spouse and eligible dependents; provided that Employee, and, where applicable, Employee's spouse and dependents, are eligible for and timely elect to receive COBRA healthcare continuation coverage and provided further that the payments specified under this Section 9(b)(iii) shall cease if the Company's statutory obligation to provide such COBRA healthcare continuation coverage terminates for any reason before the expiration of the 12-month period.

(iv) The portion of any outstanding Equity Awards that were subject to vesting solely upon continuous service with the Company shall automatically become fully vested and exercisable, as applicable, as of Employee's Termination Date. Such vested Equity Awards shall continue to be governed by and exercised, settled or paid in accordance with the terms of the applicable award agreement.

(v) Outstanding Equity Awards the vesting of which is conditioned, in whole or in part, upon the achievement of performance objectives shall become vested and exercisable as follows:

- (A) To the extent that the applicable performance period has expired on or before Employee's Termination Date, the performance objective(s) has/have been satisfied and the only condition to vesting that remains is continuous service until one or more future dates, such Equity Award shall become fully vested and exercisable as of Employee's Termination Date.

(B) To the extent that the applicable performance period has not expired on or before Employee's Termination Date, the Company shall pro-rate the performance objective(s) for the portion of the performance period that has transpired up to the date of Closing of the Change in Control, make a good faith determination of the level of achievement of such pro-rated performance objective as of such Closing Date, and treat as fully vested and exercisable a proportionate amount of such Equity Award that corresponds with the level of achievement of the pro-rated performance objective, disregarding any future service conditions that otherwise would apply to such Equity Award.

(vi) Employee shall receive any amounts earned, accrued and owing but not yet paid to Employee as of Employee's Termination Date and any benefits accrued and earned in accordance with the terms of any applicable benefit plans and programs of the Company. The payment of amounts described in this Section 9(b)(vi) are not conditioned upon the Release becoming effective unless the applicable benefit plan or program provides otherwise.

(c) Termination Due to Death, Disability, or For Cause. If Employee is terminated due to death, Disability, or for Cause, Employee shall receive any amounts earned, accrued and owing but not yet paid to Employee as of Employee's Termination Date and any benefits accrued and earned in accordance with the terms of any applicable benefit plans and programs of the Company; all other Company obligations to Employee will be extinguished as of the Termination Date.

(d) Notice of Termination. Any termination on account of this Section 9 shall be communicated by a Notice of Termination to the other Parties hereto given in accordance with Section 24 hereof.

(e) Definition of Change in Control. For purposes of this Agreement, the term "Change in Control" shall have the meaning set forth in the Company's 2009 Incentive Compensation Plan, as amended from time to time or any successor plan in effect as of Employee's Termination Date.

10. Resignation for Good Reason. If Employee provides notice of his intent to terminate for Good Reason, then, subject to the expiration of the cure period and Employee's actual termination as described below, such resignation shall be deemed an Involuntary Termination for purposes of this Agreement and Employee shall be entitled to the payments and benefits described in Section 9 subject to the requirements set forth in this Agreement, including Section 11. Employee must provide written notice to the Company of his intent to terminate his employment for Good Reason within thirty (30) days of the action or omission giving rise to such claim of Good Reason. Thereafter, the Company shall have a period of thirty (30) days within which it may correct the event or action that constitutes the grounds for Good Reason as set forth in Employee's notice of termination. If the Company does not correct the event or action prior to the expiration of the foregoing cure period, Employee must terminate his employment for Good Reason within thirty (30) days after the expiration of the cure period, in order for the termination to be considered a Good Reason termination under this Agreement.

11. Release. Notwithstanding the foregoing, no payments or benefits shall be provided under Sections 9 and 10, as applicable (except for those payments that are owed pursuant to applicable law and/or are specifically not conditioned upon Employee's execution of a release), unless Employee executes, and does not revoke, the Company's then standard written general release (the "Release") of any and all claims against the Company and all related parties with respect to all matters arising out of Employee's employment by the Company (other than any entitlements under the terms of this Agreement or under any other plans or programs of the Company in which Employee participated and under which Employee has accrued and earned a benefit) or the termination thereof. The Company will provide Employee with the form of release agreement within seven days after Employee's separation from service. To be entitled to the severance or other benefits, Employee must execute and deliver to the Company the release agreement on or before the last day of the minimum required waiver consideration period provided under the Age Discrimination in Employment Act or other applicable law or such later date specified in the release agreement. If Employee timely delivers an executed release agreement to the Company, and Employee does not revoke the release agreement during the minimum revocation period required under applicable law, if any, the severance or other benefits shall be paid or commence being paid, as specified in this Agreement, subject to any delay required pursuant to Section 30(b) of this Agreement. If, however, the period during which Employee has discretion to execute or revoke the release agreement straddles two calendar years, the cash severance or other benefits shall be paid or commence being paid, as applicable, as soon as practicable in the second of the two calendar years, regardless of within which calendar year Employee actually delivers the executed release agreement to the Company, subject to the release agreement first becoming effective. Consistent with section 409A of the Code, Employee may not, directly or indirectly, designate the calendar year of payment. Nothing in this Section 11 shall be construed to alter the terms of this Agreement that condition Employee's entitlement to any severance or other benefits upon Employee's compliance with the restrictive covenants and any other terms and conditions specified in this Agreement.

12. Other Payments. Any payments and benefits that become due under Sections 9 and 10 hereof shall be in addition to (but not in duplication of) and not in lieu of any payments and benefits due to Employee under any other plan, policy or program of the Company, except that Employee shall not be entitled to any payments and benefits under the Company's then current severance pay policies.

13. No Mitigation. Employee shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise; provided, however, that any obligation of the Company to provide COBRA healthcare continuation coverage under Sections 4 and 5 hereof shall cease upon Employee becoming covered under a healthcare plan of another employer.

14. Non-Exclusivity of Rights. Except as provided in Section 12, nothing in this Agreement shall prevent or limit Employee's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company or any of its subsidiaries or affiliates and for which Employee may qualify.

15. No Set-Off. Other than with respect to the Recoupment Policy (as hereinafter defined), the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Employee or others.

16. Taxes.

(a) All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. Employee shall bear all expense of, and be solely responsible for, all federal, state, local or foreign taxes due with respect to any payment received under this Agreement, including, without limitation, any excise tax imposed by section 4999 of the Code.

(b) If the payments and benefits received or to be received by Employee in connection with a Change in Control or the termination of Employee's employment (whether payable pursuant to the terms of this Agreement ("Contract Payments") or any other plan, arrangement or agreement with the Company or any affiliate (collectively with the Contract Payments, the "Total Payments"), would constitute a "parachute payment" under Section 280G of the Code, then the Total Payments shall be reduced, in the manner set forth below, by the minimum amount necessary to result in no portion of the Total Payments being non-deductible to the Company pursuant to Section 280G of the Code or subject to the excise tax imposed under Section 4999 of the Code.

(c) All determinations required to be made under this Section 16, including whether a reduction in Total Payments is required, the amount of any such reduction and the assumptions to be utilized in arriving at such determination, shall be made by an accounting or law firm of recognized standing reasonably selected by the Company (the "Firm"), which may be, but will not be required to be, the Company's independent auditors. The Firm shall submit its determination and detailed supporting calculations to both Employee and the Company within fifteen (15) days after receipt of a notice from either the Company or Employee that Employee may receive payments which may be "parachute payments." If the Firm determines that a reduction is required by this Section 16, the Contract Payments consisting of cash severance shall be reduced to the extent necessary so that no portion of the Total Payments shall be subject to the excise tax imposed

by section 4999 of the Code, and the Company shall pay such reduced amount to Employee in accordance with the terms of this Agreement. If additional Contract Payments must be reduced pursuant to this Section 16 after the cash severance has been reduced to zero, the Contract Payments allocable to performance-vested Equity Awards shall next be reduced, followed by the Contract Payments allocable to time-vested Equity Awards, to the extent necessary to satisfy the requirements of this Section 16. If the Firm determines that none of the Total Payments, after taking into account any reduction required by this Section 16, constitutes a "parachute payment" within the meaning of section 280G of the Code, it will, at the same time as it makes such determination, furnish Employee and the Company an opinion that Employee has substantial authority not to report any excise tax under section 4999 of the Code on Employee's federal income tax return.

(d) Employee and the Company shall each provide the Firm access to and copies of any books, records, and documents in the possession of Employee or the Company, as the case may be, reasonably requested by the Firm, and otherwise cooperate with the Firm in connection with the preparation and issuance of the determinations and calculations contemplated by this Section 16. The fees and expenses of the Firm for its services in connection with the determinations and calculations contemplated by this Section 16 shall be borne by the Company.

17. Confidential Information. Employee agrees that Employee's services to the Company have been and will continue to be of a special, unique and extraordinary character, and that Employee's position places Employee in a position of confidence and trust with the Company's customers and employees. Employee also recognizes that Employee's position with the Company will give Employee substantial access to Confidential Information (as defined below), the disclosure of which to competitors of the Company would cause the Company to suffer substantial and irreparable damage. Employee recognizes, therefore, that it is in the Company's legitimate business interest to restrict Employee's use of Confidential Information for any purposes other than the discharge of Employee's employment duties at the Company, and to limit any potential appropriation of Confidential Information by Employee for the benefit of the Company's competitors and to the detriment of the Company. Accordingly, Employee agrees as follows:

(a) Employee will not at any time, whether during or after the termination of Employee's employment, reveal to any person or entity any of the trade secrets or confidential information of the Company or of any third party which the Company is under an obligation to keep confidential (including but not limited to trade secrets or confidential information respecting inventions, products, designs, methods, know-how, techniques, systems, processes, software programs, works of authorship, customer lists, projects, plans and proposals) ("Confidential Information"), except as may be required in the ordinary course of performing Employee's duties as an employee of the Company, and Employee shall keep secret all matters entrusted to Employee and shall not use or attempt to use any such information in any manner which may injure or cause loss or may be calculated to injure or cause loss whether directly or indirectly to the Company. By way of example and not limitation, Confidential Information also includes any and all information, whether or not meeting the legal definition of a trade secret, concerning the Company's actual, planned or contemplated: (i) marketing plans, business plans, strategies, forecasts, budgets, projections and costs; (ii) personnel information; (iii) customer, vendor and supplier lists; (iv) customer, vendor and supplier needs, transaction histories, contacts, volumes, characteristics,

agreements and prices; (v) promotions, operations, sales, marketing, and research and development; (vi) business operations, internal structures and financial affairs; (vii) software and operating systems and procedures; (viii) pricing structure of the Company's services and products; (ix) proposed services and products; (x) contracts with other parties; (xi) performance characteristics of the Company's products; and (xii) Inventions and Works as defined in Section 18. Confidential Information also includes any and all information of Company's clients and customers which is deemed confidential by such clients and customers (whether past, present or potential), including, but not limited to: marketing tools, inventions, processes, contact lists, materials, software program code, logic diagrams, flow charts, procedural diagrams, computer programming techniques and know how, maps and any documentation related thereto.

(b) The above restrictions shall not apply to: (i) information that at the time of disclosure is in the public domain through no fault of Employee; (ii) information received from a third party outside of the Company that was publicly disclosed without a breach of any confidentiality obligation; or (iii) information approved for release by written authorization of the Company. In addition, in the event that Employee is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, it is agreed that Employee will provide the Company with prompt notice of such request(s) so that the Company may seek an appropriate protective order or other appropriate remedy and/or waive compliance with the confidentiality provisions of this Agreement. In the event that such protective order or other remedy is not obtained, or the Company grants a waiver hereunder, Employee may furnish that portion (and only that portion) of the Confidential Information which Employee is legally compelled to disclose and will exercise its reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished.

(c) Further, Employee agrees that during Employee's employment Employee shall not take, use or permit to be used any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials of any nature relating to any matter within the scope of the business of the Company or concerning any of its dealings or affairs otherwise than for the benefit of the Company. Employee further agrees that Employee shall not, after the termination of Employee's employment, use or permit to be used any such notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials, it being agreed that all of the foregoing shall be and remain the sole and exclusive property of the Company and that, immediately upon the termination of Employee's employment, Employee shall deliver all of the foregoing plus any other Confidential Information, and all copies thereof, to the Company, at its main office.

(d) Employee agrees that upon the termination of Employee's employment with the Company, Employee will not take or retain without written authorization any documents, files or other property of the Company, and Employee will return promptly to the Company any such documents, files or property in Employee's possession or custody, including any copies thereof maintained in any medium or format. Employee recognizes that all documents, files and property which Employee has received and will receive from the Company, including but not limited to scientific research, customer lists, handbooks, memoranda, product specifications, and other materials (with the exception of documents relating to benefits to which Employee might be entitled following the termination of Employee's employment with the Company), are for the

exclusive use of the Company and employees who are discharging their responsibilities on behalf of the Company, and that Employee has no claim or right to the continued use, possession or custody of such documents, files or property following the termination of Employee's employment with the Company.

18. Intellectual Property.

(a) Employee agrees to disclose fully, promptly, and in writing to the Company any and all Inventions and Works (each as defined below) which are conceived, made, reduced to practice, developed, authored, created, drawn or written at any time while Employee is employed by the Company and for a period of six (6) months thereafter. Employee will generate and provide to the Company adequate and current written records of all Inventions and Works in the form of notes, sketches, drawings, reports, flow charts, procedural diagrams, logic diagrams, software program code, procedural diagrams, computer programming techniques or other documents relating thereto or in such other form as will be requested by the Company, which records and any copies thereof will be and will remain the exclusive property of the Company and will be available to the Company at all times, all available information relating thereto (with all necessary plans and models) to the Company.

(b) The Company and Employee agree that "Inventions," is defined in this Agreement to include any and all new or useful ideas, developments, discoveries, improvements, designs, formulas, modifications, trademarks, service marks, trade secrets, and other intellectual property, whether patentable or not (including without limitation any technology, computer programs, software, software program code, logic diagrams, flowcharts, procedural diagrams, computer programming techniques, test, concept, idea, process, method, composition of matter, formula or technique), and all know-how related thereto, which Employee conceives, makes, reduces to practice, or develops, solely or jointly with others (i) which relate to the actual or contemplated business, work or activities of the Company, (ii) which result from or are suggested by any work which Employee has done or may do on behalf of the Company, or by any information that Employee may receive by virtue of Employee's employment by the Company, or (iii) which are developed, tested, improved or investigated either in part or entirely on time for which Employee was paid by the Company, or with the use of premises, equipment or property provided, owned, leased, or contracted for by or on behalf of the Company.

(c) The Company and Employee agree that "Works" is defined in this Agreement to include any and all materials for which copyright protection may be obtained, including without limitation literary works (including books, pamphlets, articles and other writings), mask works, artistic works (including designs, graphs, drawings, blueprints and other graphic works), computer programs, software program code, logic diagrams, flow charts, procedural diagrams, computer programming, compilations, recordings, photographs, motion pictures and other audio-visual works which Employee authors, conceives, creates, draws, makes, or writes, solely or jointly with others (i) which relate to the actual or contemplated business, work or activities of the Company, (ii) which result from or are suggested by any work which Employee has done or may do on behalf of the Company, or by any information that Employee may receive by virtue of Employee's employment by the Company, or (iii) which are developed, tested, improved or investigated either in part or entirely on time for which Employee was paid by the Company, or with the use of premises, equipment or property provided, owned, leased, or contracted for, by, or on behalf of the Company.

(d) Employee agrees to assign, transfer and convey, and hereby assigns, transfers and conveys to the Company all of the rights, titles and interests in and to any and all such Inventions and Works that Employee has or may acquire in such Inventions or Works which are conceived, made, reduced to practice, developed, authored, created, drawn or written at any time while Employee is employed by the Company and for a period of six (6) months thereafter. Employee agrees that the Company will be the sole owner of all patents, copyrights, trademarks and other intellectual property rights in connection therewith, and agrees to take all such actions as may be requested by the Company during Employee's employment with the Company and at any time thereafter, with respect to any such Inventions or Works to confirm or evidence such assignment, transfer, conveyance or ownership, and to assist in the Company's maintenance, enforcement, license, assignment, transfer, or conveyance of rights in respect of the Inventions or Works. Employee understands that if he is employed by the Company in California, his obligation to assign rights in inventions does not apply to an invention that qualifies fully under the provisions of California Labor Code Section 2870.

(e) By way of example and not limitation, at any time and from time to time, upon the request of the Company, Employee agrees to execute, acknowledge, swear to, seal and deliver to the Company, any and all lawful instruments, documents and papers, give evidence and do any and all other lawful acts that, in the opinion of the Company, are or may be necessary or desirable to document such assignment, transfer and conveyance or to enable the Company to file and prosecute applications for and to acquire, maintain and enforce any and all patents, trademarks, copyrights and other property rights under United States, local, state or foreign law with respect to any such Inventions or Works or to obtain any extension, validation, reissue, continuance or renewal of any such patent, trademark, copyright, or other intellectual property right. By way of further example and not limitation, Employee agrees to meet with the Company representatives or attorneys for the purpose of initiating, maintaining or defending litigation, administrative or other proceedings; and to participate fully in litigation, administrative or other proceedings as requested by the Company. In the event that the Company may be unable, for any reason whatsoever, after reasonable effort, to secure Employee's signature on any patent, copyright, trademark or other intellectual property application or other papers, Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents, as Employee's agent and attorney-in-fact to act for and on behalf of Employee to execute, acknowledge, swear to, seal and deliver to the Company and to file any such application or applications or other papers, and to do all other lawfully permitted acts to further the provisions of Section 18 of this Agreement.

(f) The Company agrees to reimburse Employee for reasonable expenses incurred by Employee in complying with the provisions of Sections 18(d) and 18(e) of this Agreement. The Company and Employee agree that Employee is not entitled to additional compensation beyond that paid to Employee for the period of time that he is employed by the Company, which compensation, along with the Company's understandings set forth in this Agreement, is expressly acknowledged to be adequate consideration for all of the Employee promises and obligations set forth in this Agreement.

(g) Employee expressly acknowledges and states that all Works which are made by Employee (solely or jointly with others) are being created at the instance of the Company and are "works made for hire," as that term is defined in the Copyright Act of 1976, 17 USC § 101. In the event that such laws are inapplicable or in the event that any such Works, or any part thereof, are determined by a court of competent jurisdiction not to be a work made for hire, this Agreement will operate as an irrevocable and unconditional assignment by Employee to The Company of all Employee's right, title and interest (including, without limitation, all rights in and to the copyrights throughout the world, including the right to prepare derivative works and the rights to all renewals and extensions) in the Works in perpetuity.

(h) Employee represents that Attachment A to this Agreement describes all inventions and works, whether patentable or not, which have been conceived, made, reduced to practice, developed, authored, created, drawn or written prior to Employee's employment by the Company; *provided, however*, that, Employee has not disclosed in Attachment A information that is a trade secret belonging to another, or which is the subject of a contract preventing Employee's disclosure of the information to the Company.

19. Non-Competition and Non-Solicitation. In further consideration of the compensation to be paid to Employee hereunder, Employee acknowledges that during the course of Employee's employment with the Company, Company will provide Employee Confidential Information, which Employee promises to not disclose. Further, Employee will become and/or remain familiar with the Company's trade secrets and with other Confidential Information concerning the Company and that Employee's services shall be of special, unique and extraordinary value to the Company, and therefore, the Employee agrees that some restrictions on Employee's activities during and after Employee's employment are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company:

(a) During the period of Employee's employment by the Company and, if Employee's employment with the Company terminates for any reason, for a period of one (1) year thereafter ("Covenant Period"), except with the written consent of the Board, Employee shall not directly or indirectly, own, control, finance or participate in the ownership, control or financing of any Direct Competitor or Secondary Competitor. For the purposes of this Agreement, a "Direct Competitor" is defined as those entities listed on Attachment B, /as shall be modified from time-to-time by Company upon written notice to Employee /. A "Secondary Competitor" is defined as a person, business or enterprise which directly or indirectly engages in information technology consulting and technology services, management consulting services, or outsourcing services, including, but not limited to, technology strategy consulting, systems development, enterprise software package implementation and maintenance, data warehousing and business intelligence, application testing, application maintenance, infrastructure management, and business process outsourcing, in the Territory. For purposes of this Agreement, Territory is defined as any state in the United States and any country in the world in which the Company has sold or performed any services at the time of the termination of the Employee's employment with the Company.

(b) During the Covenant Period, the Employer further agrees that Employee shall not be employed by or provide services in any capacity to, a Direct Competitor in any part of the world. In addition, during the Covenant Period, Employee agrees that Employee shall not, in the Territory, provide services the same as or similar to the services that Employee provided to the Company during a one (1) year period immediately preceding the termination of the Employee's employment with the Company to any Secondary Competitor.

(c) In further consideration for the Company's promises herein, Employee agrees that for the period beginning with the termination of Employee's employment with the Company for any reason, and for a period of one (1) year thereafter, Employee will not directly or indirectly solicit or recruit any part-time or full-time employee, representative or consultant of the Company or its subsidiaries or affiliates to work for a third party other than the Company or its subsidiaries or affiliates or engage in any activity that would cause any employee, representative or consultant to violate any agreement with the Company or its subsidiaries or affiliates. The foregoing covenant shall not apply to any person after two (2) months have elapsed after the date on which such person's employment by the Company has terminated.

(d) The foregoing restrictions shall not be construed to prohibit Employee's ownership of less than one percent (1%) of any class of securities of any corporation which is engaged in any of the foregoing businesses and has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, provided that such ownership represents a passive investment and that neither Employee nor any group of persons including Employee in any way, either directly or indirectly, manages or exercises control of any such corporation, guarantees any of its financial obligations, otherwise takes any part in its business, other than exercising Employee's rights as a stockholder, or seeks to do any of the foregoing.

20. Employee Representations.

(a) Employee represents and warrants that this Agreement and his employment by the Company does not conflict with and will not be constrained by any prior business relationship or contract, that Employee does not possess trade secrets or other proprietary information arising out of any prior business relationship or contract that, in Employee's best judgment would be utilized in connection with Employee's employment with the Company. Employee further agrees that he will not disclose any such trade secrets or other proprietary information to the Company or others.

(b) Employee represents and warrants that (i) before signing this Agreement, he has read this Agreement and is entering into this Agreement freely and with knowledge of its contents with the intent to be bound by it and the restrictions contained herein; (ii) the restrictions imposed on Employee by this Agreement are fair, reasonable and proper and required for the protection of the Company's business interests, particularly its investments in Employee (e.g., Employee's job knowledge and skills), its Confidential Information, as well as the goodwill developed, and its business relationships, with its clients, customers and prospective clients and customers; and (iii) the restrictions imposed on Employee by this Agreement, particularly, the post-termination restrictions, shall not preclude Employee from earning a living or engaging in Employee's profession or trade, or pursuing a career or a business.

21. Equitable Relief.

(a) Employee acknowledges that the restrictions contained in Sections 17, 18, and 19 hereof are reasonable and necessary to protect the legitimate interests of the Company and its affiliates, that the Company would not have entered into this Agreement in the absence of such restrictions, and that any violation of any provision of those Sections will result in irreparable injury to the Company. Employee represents that Employee's experience and capabilities are such that the restrictions contained in Section 17, 18, and 19 hereof will not prevent Employee from obtaining employment or otherwise earning a living at the same general level of economic benefit as is currently the case. Employee further represents and acknowledges that (i) Employee has been advised by the Company to consult Employee's own legal counsel in respect of this Agreement, and (ii) that Employee has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with Employee's counsel.

(b) Employee agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as an equitable accounting of all earnings, profits and other benefits arising from any violation of Sections 17, 18, and 19 hereof, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. The period of the injunction shall be measured from the date of a court order granting the injunctive relief. In the event that any of the provisions of Sections 17, 18, and 19 hereof should ever be adjudicated to exceed the time, geographic, service, or other limitations permitted by applicable law in any jurisdiction, then such provisions shall be deemed reformed in such jurisdiction to the maximum time, geographic, service, or other limitations permitted by applicable law.

(c) Employee irrevocably and unconditionally (i) agrees that any suit, action or other legal proceeding arising out of Section 17, 18, and 19 hereof, including without limitation, any action commenced by the Company for preliminary and permanent injunctive relief or other equitable relief, may be brought in the United States District Court for the District of New Jersey, or if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in New Jersey, (ii) consents to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding, and (iii) waives any objection which Employee may have to the laying of venue of any such suit, action or proceeding in any such court. Employee also irrevocably and unconditionally consents to the service of any process, pleadings, notices or other papers in a manner permitted by the notice provisions of Section 24 hereof.

22. Term of Agreement. This Agreement shall continue in full force and effect for the duration of Employee's employment with the Company; provided, however, that after the termination of Employee's employment during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the Parties hereunder are satisfied or have expired.

23. Successor Company. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Employee, to acknowledge expressly that this Agreement is binding upon and enforceable against the Company in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as herein before defined and any such successor or successors to its business and/or assets, jointly and severally.

24. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to the Company, to:

Cognizant Technology Solutions Corporation
500 Frank W. Burr Blvd.
Teaneck, NJ 07666
Attn: General Counsel

If to Employee, to:

[insert information]

or to such other names or addresses as the Company or Employee, as the case may be, shall designate by notice to the other Parties hereto in the manner specified in this Section; provided, however, that if no such notice is given by the Company following a change in control, notice at the last address of the Company or to any successor pursuant to this Section 24 shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

25. Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of New Jersey without giving effect to any conflict of laws provisions.

26. Contents of Agreement, Amendment and Assignment.

(a) This Agreement, including the Conduct Code, supersedes all prior agreements with respect to the subject matter hereof, sets forth the entire understanding between the Parties hereto with respect to the subject matter hereof and cannot be changed, modified, extended or terminated except upon written amendment executed by Employee and executed on the Company's behalf by a duly authorized officer, except for revisions or additions to Attachment B, which may be unilaterally modified by Company upon written notice to Employee; provided, however, that this Agreement, except as expressly set forth in Section 9, does not supersede, modify or change any existing written award agreements regarding stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards, performance units or other stock-based awards issued to Employee prior to the effective date of this Agreement. The provisions of this Agreement may provide for payments to Employee under certain compensation or bonus plans under circumstances where such plans would not provide for

payment thereof. It is the specific intention of the Parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by the Company, the Company's Board of Directors or the Board unless such amendment would contravene the provisions of section 409A of the Code and result in the imposition of additional taxes under section 409A of the Code upon Employee.

(b) Nothing in this Agreement shall be construed as giving Employee any right to be retained in the employ of the Company, or as changing or modifying the "at will" nature of Employee's employment status.

(c) All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the Parties hereto, except that the duties and responsibilities of Employee and the Company hereunder shall not be assignable in whole or in part by the Company. If Employee should die after Employee's Termination Date and while any amount payable hereunder would still be payable to Employee hereunder if Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devise, legatees or other designees or, if there is no such designee, to Employee's estate.

27. Severability. If any provision of this Agreement is declared illegal, invalid, or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid, and enforceable, or otherwise deleted, and the remainder of the terms of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid, or unenforceable provision.

28. Remedies Cumulative; No Waiver. No right conferred upon the Parties by this Agreement is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by a Party in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

29. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

30. Section 409A.

(a) Interpretation. This Agreement is intended to comply with the requirements of section 409A of the Code, and specifically, with the "short-term deferral exception" under Treas. Reg. section 1.409A-1(b)(4) and the "separation pay exception" under Treas. Reg. section 1.409A-1(b)(9)(iii), and shall in all respects be administered and construed in accordance with section 409A of the Code. If any payment or benefit hereunder cannot be provided or made at the time specified herein without incurring sanctions on Employee under section 409A of the Code,

then such payment or benefit shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of section 409A of the Code, all payments to be made upon a Termination of Employment under this Agreement may only be made upon a "separation from service" (within the meaning of such term under section 409A of the Code), each payment made under this Agreement shall be treated as a separate payment, the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments, and if a payment is not made by the designated payment date under this Agreement, the payment shall be made by December 31 of the calendar year in which the designated date occurs. To the extent that any payment provided for hereunder would be subject to additional tax under section 409A of the Code, or would cause the administration of this Agreement to fail to satisfy the requirements of section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law, and any such amount shall be payable in accordance with 6(b) below. In no event shall the Employee, directly or indirectly, designate the calendar year of payment. Nothing herein shall be construed as having modified the time and form of payment of any amounts or payments of "deferred compensation" (as defined under Treas. Reg. section 1.409A-1(b)(1), after giving effect to the exemptions in Treas. Reg. sections 1.409A-1(b)(3) through (b)(12)) that were otherwise payable pursuant to the terms of any agreement between the Company and Employee in effect on or after January 1, 2005 and prior to the date of this Agreement.

(b) Payment Delay. Notwithstanding anything herein to the contrary, if it is necessary to postpone the commencement of any payments or benefits otherwise payable under this Agreement as a result of Employee's "separation from service" with the Company to prevent the imposition of any accelerated or additional tax under section 409A of the Code, then the Company will postpone the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to Employee) that are not otherwise paid within the "short-term deferral exception" under Treas. Reg. section 1.409A-1(b)(4) and the "separation pay exception" under Treas. Reg. section 1.409A-1(b)(9)(iii), until the first payroll date that occurs after the date that is six months following Employee's "separation of service" with the Company. If any payments are postponed due to such requirements, such postponed amounts will be paid to Employee in a lump sum on the first payroll date that occurs after the date that is six months following Employee's "separation of service" with the Company. If Employee dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of section 409A of the Code shall be paid to the personal representative of Employee's estate within sixty (60) days after the date of the Employee's death.

(c) Reimbursements. All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during Employee's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the taxable year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit.

31. Recoupment Policy. Employee acknowledges that Employee shall be subject to and hereby agrees to abide by the terms of any clawback or recoupment policy that the Company has adopted or may hereafter adopt, as may be amended from time to time, with or without notice (the "Recoupment Policy") to further the Company's interests in enhancing its corporate governance practices and/or to comply with applicable law, rules or regulations promulgated by the Securities and Exchange Commission or the rules of the national securities exchange on which shares of the common stock of the Company are listed for trade. Employee understands that pursuant to the Recoupment Policy, the Company may seek to recoup all or part of any severance payments, bonus or other incentive compensation paid to certain officers and former officers, including Equity Awards, in the event that the Company is required to restate its financial statements. In consideration of the continued benefits to be received from the Company (or a subsidiary) and the right to participate in, and receive future awards under, the Company's cash and equity-based incentive programs, Employee hereby acknowledges, understands and agrees that:

(a) The Recoupment Policy applies to severance, cash bonuses and other incentive compensation, including Equity Awards, paid or awarded to Employee prior to or after the date on which the Recoupment Policy is adopted, and Employee agrees that, to the extent provided in the Recoupment Policy, the Recoupment Policy shall apply to equity and other award agreements outstanding as of the date of this Agreement or hereafter executed, and such agreements shall be deemed amended by, and to incorporate, the terms of the Recoupment Policy even if the Recoupment Policy is not explicitly referenced therein;

(b) The Company shall be fully entitled to enforce the Recoupment Policy against Employee in accordance with its terms, and Employee promptly shall comply with any demand authorized by the Board of Directors of the Company pursuant to the terms of the Recoupment Policy for repayment, return or rescission of, severance payments, a cash bonus or other incentive compensation, including Equity Awards, subject to the Recoupment Policy; and

(c) Nothing in this acknowledgement shall be construed to expand the scope or terms of the Recoupment Policy, and Employee is not waiving any defenses Employee may have in the event of an action for recoupment of compensation under the Recoupment Policy, other than (i) waiving any defense regarding the retroactive application of the Recoupment Policy to prior or existing payments or awards and (ii) waiving any claim that the integration clause of any agreement excludes the application of the Recoupment Policy.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

Attest: _____

By: _____
Its: _____

Witness

[Employee]

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ATTACHMENT A

- I. The following is a complete list of all inventions and works that have been conceived, made, reduced to practice, developed, authored, created, drawn or written by me alone or jointly with others prior to my engagement by the Company.

☐ None.

See below.

- ☒ Due to a preexisting contract with another party, I cannot disclose certain Inventions or Works that would otherwise be included on the above-described list.

☐ _____ Additional sheets are attached.
(number)

EMPLOYEE:

Signature: _____

Name: _____
(Print)

Title: _____

Date: _____

SCHEDULE TO EXHIBIT 10.4 – FORM OF AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AND NON-DISCLOSURE, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION HAS ENTERED INTO AN AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AND NON-DISCLOSURE, NON-COMPETITION, AND INVENTION ASSIGNMENT AGREEMENT WITH EACH OF THE FOLLOWING PERSONS:

FRANCISCO D'SOUZA
GORDON COBURN
KAREN MCLOUGHLIN
RAMAKRISHNAN CHANDRASEKARAN
RAJEEV MEHTA
MALCOLM FRANK
STEVEN SCHWARTZ

IDENTICAL TO THE FORM PROVIDED HEREIN.

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LIST OF SUBSIDIARIES OF THE COMPANY

EXHIBIT 21.1

<u>Name of Entity</u>	<u>Jurisdiction</u>
Cognizant Technology Solutions Argentina S.R.L.	Argentina
Cognizant Technology Solutions Australia Pty Ltd.	Australia
marketRx Pty Ltd.	Australia
PIPC Pty Ltd.	Australia
Cognizant Technology Solutions Austria GmbH	Austria
Cognizant Technology Solutions Belgium SA	Belgium
Cognizant Serviços de Tecnologia e Software do Brasil S/A.	Brazil
Cognizant Technology Solutions Canada, Inc	Canada
Cognizant Technology Solutions (Shanghai) Co., Ltd.	China
Cognizant Technology Solutions Cyprus Limited	Cyprus
Cognizant Technology Solutions s.r.o	Czech Republic
Cognizant Technology Solutions Denmark ApS	Denmark
Cognizant Technology Solutions Finland Oy	Finland
Cognizant Technology Solutions France S.A.	France
Cognizant Technology Solutions GmbH	Germany
Cognizant Technology Solutions Hong Kong Ltd.	Hong Kong SAR
PIPC (Hong Kong) Limited	Hong Kong SAR
Cognizant Technology Solutions Hungary Kft	Hungary
Cognizant Technology Solutions India Pvt. Limited	India
Ygyan Consulting Private Ltd.	India
Cognizant Technology Services Private Limited	India
Cognizant Global Services Private Limited	India
Excellence Data Research Private Limited	India
Cognizant Technology Solutions Ireland Limited	Ireland
Cognizant Technology Solutions Isle of Man Limited	Isle of Man
Cognizant Technology Solutions Italia, S.p.A.	Italy
Cognizant Japan KK	Japan
Cognizant Technology Solutions Jersey Limited	Jersey
Cognizant Business Services Limited	Jersey
Cognizant Technology Solutions Luxembourg S.A.R.L.	Luxembourg
Ygyan Consulting Private SDN BHD	Malaysia
CogDev Malaysia SDN BHD	Malaysia
Cognizant Technology Solutions Ltd.	Mauritius
Cognizant (Mauritius) Development Limited	Mauritius
Cognizant (Mauritius) Ltd.	Mauritius
Cognizant Technology Solutions de Mexico S.A. de C.V.	Mexico
Cognizant Technology Solutions New Zealand Limited	New Zealand
Cognizant Technology Solutions Norway AS	Norway
Cognizant Technology Solutions Philippines, Inc.	Philippines
Medicall Philippines Inc.	Philippines
Cognizant Technology Solutions Poland sp. z o.o.	Poland
Cognizant Technology Solutions Portugal, Unipessoal LDA	Portugal
Cognizant Technology Solutions Saudi LLC	Saudi Arabia
Cognizant Technology Solutions Asia Pacific Pte Ltd.	Singapore
PIPC Pte Limited	Singapore
Cognizant Technology Solutions Slovakia, s.r.o.	Slovakia
Cognizant Technology Solutions South Africa (Pty) Ltd.	South Africa
Cognizant Technology Solutions Spain S.L.	Spain

<u>Name of Entity</u>	<u>Jurisdiction</u>
Cognizant Technology Solutions Sweden AB	Sweden
CogDev Solutions AB	Sweden
Cognizant Technology Solutions AG	Switzerland
Cognizant Technology Solutions (Thailand) Co., Ltd.	Thailand
Cognizant Technology Solutions Benelux B.V.	The Netherlands
Cognizant Technology Solutions B.V.	The Netherlands
Cognizant Technology Solutions (Netherlands) B.V.	The Netherlands
Cognizant Technology Solutions (T&T) Limited	Trinidad and Tobago
Cognizant Technology Solutions UK Limited	United Kingdom
marketRx (UK) Limited	United Kingdom
PIPC Global Holding Company Limited	United Kingdom
PIPC (UK) Limited	United Kingdom
Cognizant Technology Solutions Global Services Limited	United Kingdom
Cognizant Technology Solutions U.S. Corporation	United States
CSS Investment LLC	United States
Cognizant Technology Solutions Overseas Corporation	United States
marketRx Inc.	United States
Cognizant Technology Solutions Holdings LLC	United States
Cognizant Technology Solutions Americas Corporation	United States
Cognizant Technology Solutions Services, LLC	United States
Cognizant Business Services Corporation	United States
Cognizant Domestic Holdings Corporation	United States
Medicall, Inc.	United States

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-59439, 333-86909, 333-43402, 333-68772, 333-114464, 333-127308, 333-144125, 333-160450, and 333-169534) of Cognizant Technology Solutions Corporation of our report dated February 26, 2013, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

New York, New York

February 26, 2013

CERTIFICATION

I, Francisco D'Souza, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cognizant Technology Solutions Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2013

/s/ FRANCISCO D'SOUZA

Francisco D'Souza,
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Karen McLoughlin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cognizant Technology Solutions Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2013

/s/ KAREN MCLOUGHLIN

Karen McLoughlin
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Cognizant Technology Solutions Corporation (the "Company") for the period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Francisco D'Souza, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2013

/s/ FRANCISCO D'SOUZA

Francisco D'Souza,
Chief Executive Officer
(Principal Executive Officer)

* A signed original of this written statement required by Section 906 has been provided to Cognizant Technology Solutions Corporation and will be retained by Cognizant Technology Solutions Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Cognizant Technology Solutions Corporation (the "Company") for the period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Karen McLoughlin, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2013

/s/ KAREN MCLOUGHLIN

Karen McLoughlin
Chief Financial Officer
(Principal Financial and Accounting Officer)

* A signed original of this written statement required by Section 906 has been provided to Cognizant Technology Solutions Corporation and will be retained by Cognizant Technology Solutions Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

