

COGNIZANT TECHNOLOGY SOLUTIONS CORP  
Form DEF 14A  
April 30, 2003

SCHEDULE 14A  
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (AMENDMENT NO. )

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement  [ ] Confidential, for Use  
of the Commission Only  
(as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement  
 [ ] Definitive Additional Materials  
 [ ] Soliciting Material Under Rule 14a-12

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

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(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.  
 [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1)  
and 0-11.

(1) TITLE OF EACH CLASS OF SECURITIES TO WHICH TRANSACTION APPLIES:

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(2) AGGREGATE NUMBER OF SECURITIES TO WHICH TRANSACTION APPLIES:

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(3) PER UNIT PRICE OR OTHER UNDERLYING VALUE OF TRANSACTION COMPUTED  
PURSUANT TO EXCHANGE ACT RULE 0-11 (SET FORTH THE AMOUNT ON WHICH THE FILING FEE  
IS CALCULATED AND STATE HOW IT WAS DETERMINED):

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(4) PROPOSED MAXIMUM AGGREGATE VALUE OF TRANSACTION:

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(5) TOTAL FEE PAID:

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[ ] FEE PAID PREVIOUSLY WITH PRELIMINARY MATERIALS:

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) AMOUNT PREVIOUSLY PAID:

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(2) FORM, SCHEDULE OR REGISTRATION STATEMENT NO.:

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(3) FILING PARTY:

-----  
(4) DATE FILED:  
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[COGNIZANT LOGO]

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION  
500 GLENPOINTE CENTRE WEST  
TEANECK, NEW JERSEY 07666

April 28, 2003

To Our Stockholders:

You are most cordially invited to attend the 2003 Annual Meeting of Stockholders of Cognizant Technology Solutions Corporation at 10:00 a.m. local time, on Wednesday, May 28, 2003, at the Company's headquarters, 500 Glenpointe Centre West, Teaneck, New Jersey 07666.

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented to the meeting.

It is important that your shares be represented at this meeting to ensure the presence of a quorum. Whether or not you plan to attend the meeting, we hope that you will have your shares represented by signing, dating and returning your proxy in the enclosed envelope, which requires no postage if mailed in the United States, as soon as possible. Your shares will be voted in accordance with the instructions you have given in your proxy.

Thank you for your continued support.

Sincerely,

/s/ Wijeyaraj Mahadeva

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Wijeyaraj Mahadeva  
Chairman of the Board and  
Chief Executive Officer

[COGNIZANT LOGO]

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION  
500 GLENPOINTE CENTRE WEST  
TEANECK, NEW JERSEY 07666

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 28, 2003

The Annual Meeting of Stockholders (the "Meeting") of COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION, a Delaware corporation (the "Company"), will be held at the Company's headquarters, 500 Glenpointe Centre West, Teaneck, New Jersey on Wednesday, May 28, 2003, at 10:00 a.m. local time, for the following purposes:

- (1) To elect two (2) Class I Directors to serve until the 2004 Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified, two (2) Class II Directors to serve until the 2005 Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified and two (2) Class III Directors to serve until the 2006 Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified;
- (2) To amend the Company's 1999 Incentive Compensation Plan, as amended (the "Incentive Plan"), to increase the maximum number of shares of Class A Common Stock available for issuance under the Incentive Plan from 18,000,000 to 24,000,000 shares. The additional 6,000,000 shares of Class A Common Stock of the Company will be reserved for issuance upon the exercise of stock options granted or for the issuance of other awards granted under the Incentive Plan;
- (3) To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants for the year ending December 31, 2003; and
- (4) To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

On March 5, 2003, the Board of Directors declared a 3-for-1 stock split effected by a 200% stock dividend payable on April 1, 2003 to stockholders of record on March 19, 2003. All shares and exercise prices in this Proxy Statement have been restated to reflect such stock split. The effect of the stock split on certain financial information included in the Company's Form 10-K for the year

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ended December 31, 2002 is included in a Form 8-K filed on April 25, 2003 and is also included in the Company's Annual Report to Stockholders. The stock split did not have an impact on the Company's previously reported Net Income or Balance Sheet but impacted certain disclosures previously included in the Company's Form 10-K such as the Company's number of issued and outstanding shares, all share related data including earnings per share, and stock options outstanding and related prices. The stock split was not effective at the date the Company filed its Form 10-K, and as a result, it was not reflected therein.

Holders of record of the Company's Class A Common Stock at the close of business on April 17, 2003 are entitled to notice of and to vote at the Meeting, or any adjournment or adjournments thereof. A complete list of such stockholders will be open to the examination of any stockholder at the Company's principal executive offices at 500 Glenpointe Centre West, Teaneck, New Jersey 07666 for a period of ten days prior to the Meeting and on the day of the Meeting. The Meeting may be adjourned from time to time without notice other than by announcement at the Meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. THE PROMPT RETURN OF PROXIES WILL ENSURE A QUORUM AND SAVE THE COMPANY THE EXPENSE OF FURTHER SOLICITATION. EACH PROXY GRANTED MAY BE REVOKED BY THE STOCKHOLDER APPOINTING SUCH PROXY AT ANY TIME BEFORE IT IS VOTED. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH SUCH PROXY CARD SHOULD BE SIGNED AND RETURNED TO ASSURE THAT ALL OF YOUR SHARES WILL BE VOTED.

By Order of the Board of Directors

/s/ Gordon Coburn

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Gordon Coburn  
Secretary

Teaneck, New Jersey  
April 28, 2003

THE COMPANY'S 2002 ANNUAL REPORT ACCOMPANIES THE PROXY STATEMENT.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION  
500 GLENPOINTE CENTRE WEST  
TEANECK, NEW JERSEY 07666

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PROXY STATEMENT  
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This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Cognizant Technology Solutions Corporation (the "Company") of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on Wednesday, May 28, 2003 (the "Meeting"), at the Company's

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headquarters, 500 Glenpointe Centre West, Teaneck, New Jersey at 10:00 a.m. local time, and at any adjournment or adjournments thereof. Holders of record of shares of Class A Common Stock, \$0.01 par value ("Class A Common Stock"), as of the close of business on April 17, 2003, will be entitled to notice of and to vote at the Meeting and any adjournment or adjournments thereof. As of that date, there were 61,552,176 shares of Class A Common Stock issued and outstanding and entitled to vote. Each share of Class A Common Stock is entitled to one vote on any matter presented to stockholders at the Meeting. Pursuant to the Company's Restated Certificate of Incorporation all the outstanding shares of Class B Common Stock, \$0.01 par value ("Class B Common Stock"), automatically converted into shares of Class A Common Stock on February 20, 2003. Accordingly, as of the close of business on April 17, 2003, there were no holders of record of the Company's Class B Common Stock.

If proxies in the accompanying form are properly executed and returned, the shares of Class A Common Stock represented thereby will be voted in the manner specified therein. If not otherwise specified, the shares of Class A Common Stock represented by the proxies will be voted (i) FOR the election of the two (2) Class I nominees, the two (2) Class II nominees and the two (2) Class III nominees named below as Directors; (ii) FOR the proposal to amend the Company's 1999 Incentive Compensation Plan, as amended (the "Incentive Plan"), to increase the maximum number of shares of Class A Common Stock available for issuance under the Incentive Plan from 18,000,000 to 24,000,000 shares. The additional 6,000,000 shares of Class A Common Stock of the Company will be reserved for issuance upon the exercise of stock options granted or for the issuance of other awards granted under the Incentive Plan; (iii) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for the year ending December 31, 2003; and (iv) in the discretion of the persons named in the enclosed form of proxy, on any other proposals which may properly come before the Meeting or any adjournment or adjournments thereof. Any stockholder who has submitted a proxy may revoke it at any time before it is voted, by written notice addressed to and received by the Secretary of the Company, by submitting a duly executed proxy bearing a later date or by electing to vote in person at the Meeting. The mere presence at the Meeting of the person appointing a proxy does not, however, revoke the appointment.

The presence, in person or by proxy, of holders of the shares of Class A Common Stock having, in the aggregate, a majority of the votes entitled to be cast at the Meeting shall constitute a quorum. The affirmative vote by the holders of a plurality of the shares of Class A Common Stock represented at the Meeting, is required for the election of Directors, provided a quorum is present in person or by proxy. All actions proposed herein other than the election of Directors may be taken upon the affirmative vote of stockholders possessing a majority of the shares of Class A Common Stock represented at the Meeting provided a quorum is present in person or by proxy.

Abstentions are included in the shares present at the Meeting for purposes of determining whether a quorum is present, and are counted as a vote against for purposes of determining whether a proposal is approved. Broker non-votes (when shares are represented at the Meeting by a proxy specifically conferring only limited authority to vote on certain matters and no authority to vote on other matters) are included in the determination of the number of shares represented at the Meeting for purposes of determining whether a quorum is present but are not counted for purposes of determining whether a proposal has been approved and thus have no effect on the outcome.

This Proxy Statement, together with the related proxy card and Annual Report to Stockholders of the Company for the year ended December 31, 2002, including financial statements (the "Annual Report"), is being mailed to all stockholders of record as of April 17, 2003. The mailing date will be on or about April 28, 2003. In addition, the Company has provided brokers, dealers, banks, voting trustees and their nominees, at the Company's expense, with

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additional copies of the Annual Report so that such record holders could supply such materials to beneficial owners as of April 17, 2003.

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### ELECTION OF DIRECTORS

Currently, the Board of Directors of the Company consists of six (6) members. Each member was elected at the 2002 Annual Meeting of Stockholders for a period of one year, and each member's term expires at this Meeting. On February 13, 2003, pursuant to a written consent in lieu of a stockholders' meeting of the holder of approximately 93% of the voting power of the Company's then outstanding shares of Common Stock, the Company filed a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. The Restated Certificate of Incorporation provided for, among other things, that commencing with the election of Directors at this Meeting, the Directors shall be divided into three classes designated as Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of Directors constituting the entire Board of Directors. Class I Directors shall be originally elected for a term expiring at the succeeding Annual Meeting of Stockholders, Class II Directors shall be originally elected for a term expiring at the second succeeding Annual Meeting of Stockholders and Class III Directors shall be originally elected for a term expiring at the third succeeding Annual Meeting of Stockholders. At each Annual Meeting of Stockholders other than this Meeting, successors to the class of directors whose term expires at that Annual Meeting shall be elected for a term expiring at the third succeeding Annual Meeting of Stockholders.

The Board of Directors has nominated each of the six (6) incumbent Directors (which number shall constitute the entire current Board of Directors of the Company) to stand for re-election at the Meeting for the corresponding class and term as set forth below.

It is the intention of the persons named in the enclosed form of proxy to vote the shares of Class A Common Stock represented thereby, unless otherwise specified in the proxy, for the election as Directors of the persons whose names and biographies appear below. Except as noted below, all of the persons whose names and biographies appear below are at present Directors of the Company. In the event any of the nominees should become unavailable or unable to serve as a Director, it is intended that votes will be cast for a substitute nominee designated by the Board of Directors. The Board of Directors has no reason to believe that the nominees named will be unable to serve if elected. Each of the nominees has consented to being named in this Proxy Statement and to serve if elected.

#### CLASS I DIRECTORS (TERM EXPIRES 2004)

The current members of the Board of Directors who are also nominees for election to the Board as Class I Directors are as follows:

NAME ----	AGE ---	SERVED AS A DIRECTOR SINCE -----	POSITIO THE C -----
Wijayaraj Mahadeva	51	1998	Chairman of

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Chief Execu

John E. Klein

61

1998

Dire

The principal occupations and business experience, for at least the past five years, of each nominee is as follows:

Wijayaraj (Kumar) Mahadeva was elected Chairman and Chief Executive Officer of the Company's Indian subsidiary in 1994, and led the team that established the software development and maintenance business conducted by the Company. Mr. Mahadeva was elected Vice President of the Company in 1994, and was elected President on April 17, 1996. Effective in March 1998, Mr. Mahadeva was elected Chairman and Chief Executive Officer of the Company. Mr. Mahadeva concurrently served as Chairman of The Dun & Bradstreet Corporation India and China from 1993 to 1996. Mr. Mahadeva previously served as Vice President, Corporate Strategy, at The Dun & Bradstreet Corporation from 1989 to 1993, as Director, Business Markets Group, at AT&T from 1985 to 1989, and as a management consultant at McKinsey & Company from 1978 to 1985. Mr. Mahadeva holds a Masters of Business Administration degree from Harvard University and a Masters in Electrical Engineering from Cambridge University (U.K.).

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John E. Klein was elected to the Board of Directors in March 1998. Mr. Klein currently serves as Chief Executive Officer of Polarex, Inc., a software and services consulting company, where he has been employed since November 1994. Since June 2000, Mr. Klein has also served as a Director of privately-held Questra Corporation. From July 1997 to November 1999, Mr. Klein also served as the Chairman and Chief Executive Officer of Glovia International, a manufacturing resource planning software and services company. From August 1996 to November 1999, Mr. Klein also served as the Chairman of PRO IV Limited, a 4GL development tools company. From November 1995 to November 1999, Mr. Klein also served as Chief Executive Officer of MDIS Group PLC, a software development and services company headquartered in the UK. From January 1993 to April 1994, Mr. Klein was the Vice President, Consumer, Process & Transportation-Customer Business Unit, for Digital Equipment Corporation. Mr. Klein holds a Bachelor of Science degree from the U.S. Merchant Marine Academy and a Master of Business Administration degree from New York University.

CLASS II DIRECTORS (TERM EXPIRES 2005)

The current members of the Board of Directors who are also nominees for election to the Board as Class II Directors are as follows:

NAME	AGE	SERVED AS A DIRECTOR SINCE	POSITIO THE C
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Robert W. Howe	56	1999	Dire
Robert E. Weissman	62	2001	Dire

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The principal occupations and business experience, for at least the past five years, of each nominee is as follows:

Robert W. Howe was elected to the Board of Directors in April 1999. Mr. Howe currently serves as Chief Executive Officer and Chairman of the Board of Directors of ADS Financial Services Solutions, positions he has held since January 1994 and March 1980, respectively. From March 1980 to January 1994, Mr. Howe served as President of ADS Financial Services Solutions. Mr. Howe holds a Bachelor of Arts degree from Boston College.

Robert E. Weissman was elected to the Board of Directors in May 2001. Mr. Weissman retired in January 2001 after nearly thirty years serving as Chief Executive Officer for several public corporations. Most recently, Mr. Weissman was Chairman of IMS Health, a provider of information to the pharmaceutical and healthcare industries. He served as both Chairman and Chief Executive Officer of IMS Health until March of 1999. Prior to his position with IMS Health, Mr. Weissman was Chairman and Chief Executive Officer of Cognizant Corporation and prior to that, was Chairman and Chief Executive Officer of The Dun & Bradstreet Corporation. Prior to his election as Chairman and Chief Executive Officer of Dun & Bradstreet, he held the position of President and Chief Operating Officer of that company since 1985. Mr. Weissman joined Dun & Bradstreet in May 1979, when D&B acquired National CSS, a computer time-sharing company, of which he was President and Chief Executive Officer. Since his retirement, Mr. Weissman has been active as a Principal in Shelburne Partners, a private investment company that works with emerging companies in the United States and Europe. Mr. Weissman is a Director of State Street Corporation and Pitney Bowes, Inc. and a member of the Advisory Board for Broadview Capital, a venture capital firm. Mr. Weissman graduated from Babson College in 1964. He serves on Babson's Board of Trustees, and received an honorary Doctor of Laws degree from Babson in 1995.

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### CLASS III DIRECTORS (TERM EXPIRES 2006)

The current members of the Board of Directors who are also nominees for election to the Board as Class III Directors are as follows:

NAME ----	AGE ---	SERVED AS A DIRECTOR SINCE -----	POSITIO THE C -----
Venetia Kontogouris	52	1997	Dire
Thomas M. Wendel	66	2001	Dire

The principal occupations and business experience, for at least the past five years, of each nominee is as follows:

Venetia Kontogouris was elected to the Board of Directors of the Company in December 1997. Ms. Kontogouris is currently Managing Director of Trident Capital, a venture capital firm. Prior to joining Trident Capital, Ms. Kontogouris was President of Enterprise Associates, Inc., a subsidiary of IMS Health. Prior to joining Enterprise Associates, Inc., Ms. Kontogouris was Vice



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President of New Product Development for The Dun & Bradstreet Corporation. Ms. Kontogouris serves on the board of directors of several private companies. Ms. Kontogouris holds a Bachelor of Arts degree from Northeastern University and a Master of Business Administration degree and a Master in International Relations degree from the University of Chicago.

Thomas M. Wendel was elected to the Board of Directors in June 2001. In July 2000, Mr. Wendel retired as the Chairman of the Board, President and Chief Executive Officer of Bridge, a global financial information, transaction services, and network services company. Prior to joining Bridge in 1995, Mr. Wendel was founding President and Chief Executive Officer of Liberty Brokerage Inc., a major US government securities brokerage firm. Mr. Wendel also served as Executive Vice President and Managing Director of Paine Webber, Inc., where he was responsible for investment banking involving thrifts and commercial banks, mortgage sales and trading, and mortgage banking. He joined Paine Webber in 1982 and held several other senior management posts including Chief Financial Officer and head of Operations and Systems. Prior to 1982, Mr. Wendel was Senior Vice President and Chief Financial Officer of Pan American World Airways. While at Pan American he also held several senior management positions, including overall responsibility for Data Systems and Communications, Airline Planning, Property and Facilities, Corporate Budgets, Treasury, Accounting, Aircraft Sales and Office Services. Mr. Wendel holds a Bachelor of Science degree in Mathematics from Ursinus College, a Master of Arts in Economics from San Jose State College, and a Master in Business Administration from the University of Santa Clara.

All Directors hold office until the expiration of their respective term and until their successors are duly elected and qualified. There are no family relationships among any of the executive officers, Directors and key employees of the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE NOMINEES FOR THE BOARD OF DIRECTORS.

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### COMMITTEES AND MEETINGS OF THE BOARD

The Board of Directors has an Audit Committee and a Compensation Committee.

Audit Committee. The primary responsibilities of the Audit Committee include, among other things, (i) evaluating and recommending to the Board of Directors the engagement of the Company's independent auditors, (ii) reviewing the results of their audit findings and their interim reviews of the Company's financial statements, and (iii) monitoring on a periodic basis the internal controls of the Company.

Pursuant to the Audit Committee Charter, the Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2002 with the management of the Company and the independent auditors. Additionally, the Audit Committee has discussed with the independent auditors the matters required by Statement of Auditing Standards ("SAS") 61, has received the written disclosures and the letter from the independent auditors required by the Independence Standards Board Standard No. 1 and has discussed with the independent auditors the independent auditors' independence. Based in

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part on the foregoing, the Audit Committee recommended to the Board of Directors that the financial statements as of and for the year ended December 31, 2002 audited by PricewaterhouseCoopers LLP be included in the Company's Annual Report on Securities and Exchange Commission (the "SEC") Form 10-K.

Each current Audit Committee Member is an independent member of the Board of Directors as defined in Rule 4200(a)(14) of the National Association of Securities Dealers' listing standards. As an independent Director of the Board of Directors of the Company, each Audit Committee Member is not an officer or employee of the Company or its subsidiaries or does not have a relationship which, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgement in carrying out the responsibilities of a Director. The Audit Committee currently consists of Messrs. Howe, Klein and Wendel. During 2002, Messrs. Howe, Klein and Wendel were the only members of the Audit Committee. The Audit Committee was established in 1998 and held seven meetings during fiscal 2002. It is anticipated that Messrs. Howe, Klein and Wendel, if elected to the Board of Directors by the Stockholders of the Company, will continue to serve on the Audit Committee.

Compensation Committee. The Compensation Committee, which is comprised of Messrs. Howe and Klein, is responsible for the administration of all salary and incentive compensation plans for the officers and key employees of the Company, including bonuses. The Compensation Committee also administers the Company's Employee Stock Purchase Plan and stock option plans, including the Incentive Plan, and establishes the terms and conditions of all stock options granted thereunder. The Compensation Committee held two meetings during 2002.

There were ten meetings of the Board of Directors during 2002. Each incumbent Director attended at least 75% of the aggregate of all meetings of the Board of Directors held during the period in which he or she served as a Director and the total number of meetings held by the committee on which he or she served during the period, if applicable.

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

The Audit Committee has furnished the following report:

To the Board of Directors of Cognizant Technology Solutions Corporation:

The Audit Committee of the Company's Board of Directors is currently composed of three members and acts under a written charter first adopted and approved on May 17, 2000. The current members of the Audit Committee are independent directors, as defined by its charter and the rules of the Nasdaq Stock Market, and possess the financial sophistication required by such charter and rules. The Audit Committee held seven meetings during 2002.

Management is responsible for the Company's financial reporting process including its system of internal control and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes. As appropriate, the Audit Committee reviews and evaluates, and discusses with the Company's management and the independent auditors, the following:

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- o the plan for, and the independent auditors' report on, each audit of the Company's financial statements;

- o the independent auditor's review of the Company's unaudited interim financial statements;
- o the Company's financial disclosure documents, including all financial statements and reports filed with the Securities and Exchange Commission;
- o management's selection, application and disclosure of critical accounting policies;
- o changes in the Company's accounting practices, principles, controls or methodologies;
- o significant developments or changes in accounting rules applicable to the Company; and
- o the adequacy of the Company's internal controls and accounting and financial personnel.

The Audit Committee reviewed and discussed with the Company's management the Company's audited financial statements for the year ended December 31, 2002 and unaudited interim financial statements during the year ended December 31, 2002. The Audit Committee also reviewed and discussed the audited financial statements and the matters required by SAS 61 (Communication with Audit Committees) with the Company's independent auditors. SAS 61 requires the Company's independent auditors to discuss with the Company's Audit Committee, among other things, the following:

- o methods used to account for significant unusual transactions;
- o the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- o the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of those estimates; and
- o disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

The Company's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires auditors annually to disclose in writing all relationships that, in the auditor's professional opinion, may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. In addition, the Audit Committee discussed with the independent auditors their independence from the Company. The Audit Committee also considered whether the independent auditors' provision of certain other non-audit related services to the Company is compatible with maintaining such auditors' independence.

Based on its discussions with management and the independent auditors, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

By the Audit Committee of the Board of Directors of

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Cognizant Technology Solutions Corporation  
(as currently constituted )

Robert W. Howe  
John E. Klein  
Thomas M. Wendel

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### COMPENSATION OF DIRECTORS

Directors who are employees of the Company and its subsidiaries receive no cash remuneration for serving as Directors. All other non-employee Directors receive \$2,000 for attendance at each meeting of the Board of Directors and \$1,000 for attendance at each meeting of a committee of the Board of Directors. All Directors who are not employees of the Company and its subsidiaries are eligible to participate in the Company's Non-Employee Directors' Stock Option Plan (the "Director Plan") and, effective as of May 1999, the Incentive Plan.

The Director Plan became effective in December 1997 and was amended in March 1998. The aggregate number of shares of Class A Common Stock reserved for issuance under the Director Plan is 429,000 shares. The Director Plan, which is administered by the Compensation Committee, provides for the issuance of non-qualified stock options to purchase up to 90,000 shares of Class A Common Stock in any year to any Director of the Company who is not an employee of the Company or any subsidiary of the Company. Subject to the provisions of the Director Plan, the Compensation Committee has the authority to interpret the provisions of the Director Plan, and to determine the persons to whom options will be granted, the number of shares to be covered by each option and the terms and conditions upon which an option may be granted. The option price for options granted under the Director Plan shall be determined by the Compensation Committee and may be granted at an exercise price greater than, less than or equal to the fair market value of the underlying shares on the date of grant. Options granted under the Director Plan become exercisable as to 50% on each of the first and second anniversaries of the date of initial grant. Options granted under the Director Plan expire after 10 years, are nontransferable and, with certain exceptions in the event of a death of a participant, may be exercised by the optionee only during service. In the event of an optionee's death or disability, the unexercised portion of an option immediately vests in full and may be exercised until (i) the earlier of the remaining stated term of the option or five years after the date of death with respect to a termination due to death or (ii) the earlier of the remaining stated term of the option and the longer of five years after the date of termination due to disability or one year after the date of death, in the case of a termination due to disability. In the case of a termination for any other reason, the unexercised portion of an option may be exercised for the period ending ninety days after termination, but only to the extent such option was exercisable at the time of termination.

The Incentive Plan became effective in May 1999. The aggregate number of shares of Class A Common Stock reserved for issuance under the Incentive Plan is 18,000,000. The purpose of the Incentive Plan is to (i) aid the Company in motivating certain employees, non-employee directors and independent contractors to put forth maximum efforts toward the growth, profitability and success of the Company; and (ii) provide incentives which will attract and retain highly qualified individuals as employees and non-employee directors and to assist in aligning the interests of such employees and non-employee directors with those of the Company's stockholders. Pursuant to the Incentive Plan, awards may be

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stock-based or payable in cash. Subject to adjustment, for among other things, a merger, consolidation, reorganization, stock split, or other change in capital structure, an individual is limited to a maximum of 4,500,000 shares during the life of the Incentive Plan. Additionally, the maximum dollar amount paid in cash to any individual during the life of the Incentive Plan is \$10,000,000. The Incentive Plan terminates on April 13, 2009, unless sooner terminated by the Board of Directors. The Incentive Plan is administered by the Compensation Committee. Subject to the provisions of the Incentive Plan, the Compensation Committee has the authority, among other things, to determine eligibility for participation, determine eligibility for and the type and size of awards, issue administrative guidelines and make rules as an aid to administer the Incentive Plan, grant waivers of terms, conditions, restrictions and limitations and accelerate the vesting of any award. Several types of awards are provided for by the Incentive Plan. The awards may be measured in stock or in cash. An award may be designated as a stock option, stock appreciation right, stock award, stock unit, performance share, performance unit or cash. Generally, all awards under the Incentive Plan are nontransferable except by will or in accordance with the laws of descent and distribution. Stock options and stock appreciation rights are exercisable only by the grantee during his or her lifetime. The Compensation Committee, in its discretion, may permit the transferability of a stock option (other than an incentive stock option) by a grantee to members of his or her immediate family or trusts or other similar entities for the benefit of such person. Upon the occurrence of a change in control of the Company, as defined in the Incentive Plan, with certain exceptions, the Compensation Committee has the discretion to, among other things, accelerate the vesting and payout of outstanding awards or provide that an award be assumed by the entity which acquires control of the Company or be substituted by a similar award under such entity's compensation plan.

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During 2002, the following Directors were granted options to purchase shares of Class A Common Stock under the Incentive Plan.

DIRECTOR	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED (1)	GRANT DATE
Wijayaraj Mahadeva.....	--	--
Robert W. Howe.....	15,000	6/5/02
John E. Klein.....	15,000	6/5/02
Venetia Kontogouris.....	15,000	6/5/02
Nancy Cooper (2).....	45,000	6/5/02
David M. Thomas (2).....	15,000	6/5/02
Robert E. Weissman.....	15,000	6/5/02
Thomas M. Wendel.....	15,000	6/5/02

- (1) Such numbers have been adjusted to reflect a three-for-one stock split that occurred on April 1, 2003.
- (2) Mr. Thomas and Ms. Cooper's term of office as Directors terminated as of February 13, 2003, the date on which IMS Health completed its plan to distribute all of the Company's Class B Common Stock that IMS Health owned in an exchange offer (the "Exchange Offer"). Each former Director

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retained their options and the vesting of all such outstanding options was accelerated.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's Directors, Officers and Stockholders who beneficially own more than 10% of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act (collectively, the "Reporting Persons") to file initial statements of beneficial ownership of securities and statements of changes in beneficial ownership of securities with respect to the Company's equity securities with the SEC. All Reporting Persons are required by SEC regulation to furnish the Company with copies of all reports that such Reporting Persons file with the SEC pursuant to Section 16(a). Except as set forth below, based solely on the Company's review of the copies of such forms received by the Company and upon written representations of the Reporting Persons received by the Company, the Company believes that there has been compliance with all Section 16(a) filing requirements applicable to such Reporting Persons.

Nancy E. Cooper became a director of the Company on May 29, 2002. Accordingly, a Form 3, Initial Statement of Beneficial Ownership, should have been filed by June 10, 2002 reporting that she did not beneficially own any of the Company's securities as of May 29, 2002. Such a Form 3 was not timely filed. Accordingly, Ms. Cooper filed a Form 5 reporting that she did not beneficially own any of the Company's securities as of May 29, 2002 on February 12, 2003.

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### EXECUTIVE OFFICERS

The following table identifies the current executive officers of the Company:

NAME	AGE	CAPACITIES IN WHICH SERVED
----	---	-----
Wijayaraj Mahadeva.....	51	Chairman of the Board and Chief Executive Officer
Lakshmi Narayanan(1).....	50	President and Chief Operating Officer
Gordon Coburn(2).....	39	Senior Vice President, Chief Financial Officer, Treasurer and Secretary
Francisco D'Souza(3).....	34	Senior Vice President, North American Operations and Business Development
-----		

- (1) Lakshmi Narayanan was elected President and Chief Operating Officer of the Company in March 1998. Mr. Narayanan joined the Indian subsidiary of the Company as Chief Technology Officer in 1994 and was elected President of such subsidiary on January 1, 1996. Prior to joining the Company, from 1975 to 1994 Mr. Narayanan was the regional head of Tata

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Consultancy Services, a large consulting and software services company located in India. Mr. Narayanan holds a Bachelor of Science degree, a Master of Science degree and a Master of Business Administration degree from the Indian Institute of Science.

- (2) Gordon Coburn was elected Senior Vice President of the Company in November 1999. Mr. Coburn continues to serve as the Company's Chief Financial Officer, Treasurer and Secretary, positions he has held since his election in March 1998. He previously was Vice President of the Company from September 1996. From 1990, Mr. Coburn held key financial positions with Cognizant Corporation and The Dun & Bradstreet Corporation, including serving as Senior Director-Group Finance & Operations for Cognizant Corporation from November 1996 to December 1997. 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.
- (3) Francisco D'Souza was elected Senior Vice President, North American Operations and Business Development of the Company in November 1999. Prior to that, from March 1998 to November 1999, he served as the Company's Vice President, North American Operations and Business Development and as the Company's Director-North American Operations and Business Development from June 1997 to March 1998. From January 1996 to June 1997, Mr. D'Souza was employed as a consultant to the Company. 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 the Company. Mr. D'Souza holds a Bachelor of Business Administration degree from the University of East Asia and a Master of Science degree in Industrial Administration from Carnegie-Mellon University.

None of the Company's executive officers is related to any other executive officer or to any Director of the Company. Executive officers of the Company are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

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### EXECUTIVE COMPENSATION

#### SUMMARY OF COMPENSATION IN 2000, 2001 AND 2002

The following Summary Compensation Table sets forth information concerning compensation for services in all capacities awarded to, earned by or paid to each person who served as the Company's Chief Executive Officer at any time during 2002 and each other executive officer of the Company whose aggregate cash compensation exceeded \$100,000 (collectively, the "Named Executives") during the years ended December 31, 2000, 2001 and 2002.

#### SUMMARY COMPENSATION TABLE

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ANNUAL COMPENSATION

NAME AND PRINCIPAL POSITION(1)	YEAR	SALARY (\$) (C)	BONUS (2) (\$) (D)	OTHER ANNUAL COMPENSATION (3) (\$) (E)
(A)	(B)			
Wijayaraj Mahadeva.....	2002	363,000	582,633	--
Chairman of the Board, and	2001	363,000	241,129	--
Chief Executive Officer	2000	330,000	488,338	--
Lakshmi Narayanan(6).....	2002	115,720	155,369	--
President and Chief Operating	2001	121,000	62,672	--
Officer	2000	110,000	130,224	--
Gordon Coburn.....	2002	205,700	220,106	--
Chief Financial Officer,	2001	205,700	91,093	--
Treasurer and Secretary	2000	187,000	184,483	--
Francisco D'Souza.....	2002	230,000	220,106	--
Senior Vice President, North	2001	230,000	91,093	--
American Operations and	2000	187,000	184,483	--
Business Development				

- (1) Each of the Named Executives has entered into a Severance and Noncompetition Agreement with the Company. See "Severance and Noncompetition Agreements."
- (2) The bonus awards were earned in the year indicated and were paid in the following year.
- (3) The value of certain personal benefits is not included since the aggregate amount of such compensation did not exceed the lesser of either \$50,000 or 10% of the total of annual salary and bonus reported for such Named Executive in columns (c) and (d).
- (4) Represents a 401(k) plan matching contribution.
- (5) Consists of interest savings on a loan made to Mr. Narayanan by the Company in October 1997, which bears interest at 2% per annum. Mr. Narayanan repaid such loan in April, 2001. See "Transactions with IMS Health and other Affiliates."
- (6) Mr. Narayanan is employed by the Company in India, and as such, compensation amounts were paid in Indian Rupees. Such amounts were converted to U.S. dollars for the periods presented.

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OPTION GRANTS IN 2002

The following table sets forth information concerning individual grants of stock options during 2002 by the Company to each of the Named Executives.



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OPTION GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS					
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#) (b)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%) (c)	EXERCISE OR BASE PRICE (\$/SH) (d)	EXPIRATION DATE (e)	POTENTIAL ASSUMED PRICE A 5% (f)
Wijeyaraj Mahadeva.....	--	--	--	--	
Lakshmi Narayanan.....	--	--	--	--	
Gordon Coburn.....	--	--	--	--	
Francisco D'Souza.....	--	--	--	--	

AGGREGATED OPTION EXERCISES IN 2002 AND YEAR-END OPTION VALUES

The following table sets forth information concerning each exercise of options during 2002 by each of the Named Executives and the year-end number and value of unexercised options held by each of the Named Executives.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION VALUES(1)

NAME	SHARES ACQUIRED ON EXERCISE (#) (b)	VALUE REALIZED (\$) (c)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END (#) EXERCISABLE/ UNEXERCISABLE (d)
Wijeyaraj Mahadeva.....	696,000	14,113,265	1,319,028/1,203,222
Lakshmi Narayanan.....	60,000	1,055,693	422,250/266,250
Gordon Coburn.....	69,522	756,543	33,540/211,050
Francisco D'Souza.....	--	--	111,228/209,472

(1) All numbers on this chart have been adjusted to account for the three-for-one stock split that occurred on April 1, 2003.

(2) Based on a year-end fair market value of the underlying securities equal to \$24.08, less the exercise price for such shares.

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## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2002 with respect to the shares of the Company's Class A Common Stock that may be issued under the Company's existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options(1)	Weighted Average Exercise Price of Outstanding Options(1)	Number of Securities Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans that have been approved by security holders	11,428,653	\$9.67	7,308,108(2)
Equity compensation plans not approved by security holders	--	--	--
Total	11,428,653	\$9.67	7,308,108(2)

(1) Such numbers have been adjusted to reflect a three-for-one stock split that occurred on April 1, 2003.

(2) Includes 2,125,815 shares of Class A Common Stock issuable under the Company's Employee Stock Purchase Plan. Also includes 4,744,503 shares of Class A Common Stock issuable under the Incentive Plan, however, does not include the additional six million (6,000,000) shares that would be available if the proposal to increase the number of shares reserved for issuance under the Incentive Plan is approved at the Meeting. In addition, this number includes 57,000 shares of Class A Common Stock available for future issuances pursuant to the Director Plan and 380,790 shares of Class A Common Stock available for future issuances pursuant to the Key Employees' Stock Option Plan.

## SEVERANCE AND NONCOMPETITION AGREEMENTS

The Company has entered into a Severance and Noncompetition Agreement (collectively, the "Severance and Noncompetition Agreements") with each of the Named Executives. The Severance and Noncompetition Agreements provide that each Named Executive will receive one year's base salary and a full annual bonus upon termination of employment, other than in the case of a termination for cause. In addition, such agreements provide that all options held by the Named Executives will vest in full immediately upon a change of control. Pursuant to such agreements, each Named Executive has agreed not to engage in any competitive business in any capacity for one year following termination of employment and

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not to solicit any of the Company's employees to leave the Company within the one-year period following termination of employment. Finally, such agreements include customary proprietary rights assignment and confidentiality provisions.

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Messrs. Howe and Klein. Messrs. Howe and Klein have not served as either an officer or employee of the Company or any of its subsidiaries at any time. There are no, and during 2002 there were no, Compensation Committee Interlocks.

In 2002, the Company granted options to purchase Class A Common Stock of the Company to each of Mr. Howe and Mr. Klein. See "Election of Directors - Compensation of Directors."

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### PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Company's Class A Common Stock with the cumulative total return on the S&P SmallCap 600 Index and a Peer Group Index (capitalization weighted) for the period beginning on the date on which the SEC declared effective the Company's Form 8-A Registration Statement pursuant to Section 12 of the Exchange Act and ending on the last day of the Company's 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 THE COMPANY, THE S&P SMALLCAP 600 INDEX  
AND A PEER GROUP INDEX(3)  
(CAPITALIZATION WEIGHTED)

[COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN CHART]

	6/19/98	12/31/98	12/31/99	12/31/00
	-----	-----	-----	-----
Cognizant Technology Solutions Corporation	\$100.00	\$303.75	\$1,093.13	\$726.00
S&P SmallCap 600 Index	\$100.00	\$ 97.53	\$ 109.63	\$122.00
Peer Group Index (Capitalization Weighted)	\$100.00	\$ 91.68	\$ 149.36	\$ 61.00

(1) Graph assumes \$100 invested on June 19, 1998 in the Company's Class A Common Stock, the S&P SmallCap 600 Index and the Peer Group Index (capitalization weighted).

(2) Cumulative total return assumes reinvestment of dividends.

(3) The Company has constructed a Peer Group Index of other information

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technology consulting firms consisting of Computer Horizons Corp., Computer Task Group, Inc., Covansys, Inc., Diamond Cluster International, Igate Capital Corp., Infosys Technologies Ltd., Keane, Inc. Sapien Corp., Satyam Computer Services Ltd, Syntel, Inc. and Tanning Technology Corp. The Company believes that these companies most closely resemble the Company's business mix and that their performance is representative of the industry. The Peer Group Index consists of the same information technology consulting firms as in the prior year.

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### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has furnished the following report:

The Company's executive compensation policy is designed to attract and retain highly qualified individuals for its executive positions and to provide incentives for such executives to achieve maximum Company performance by aligning the executives' interest with that of stockholders by basing a portion of compensation on corporate performance.

The Compensation Committee reviews and determines base salary levels for executive officers of the Company on an annual basis and determines actual bonuses after the end of the fiscal year based upon Company and individual performance. Additionally, the Compensation Committee administers all of the Company's stock option plans.

The Company's executive officer compensation program is comprised of base salary, discretionary annual cash bonuses, stock options and various other benefits, including medical insurance and a 401(k) Plan, which are generally available to all employees of the Company.

Salaries are established in accordance with industry standards through review of publicly available information concerning the compensation of officers of comparable companies. Consideration is also given to relative responsibility, seniority, individual experience and performance. Salary increases are generally made based on increases in the industry for similar companies with similar performance profiles and/or attainment of certain division or Company goals.

Bonuses are paid on an annual basis and are discretionary. The amount of bonus is based on criteria designed to effectively measure a particular executive's attainment of goals which relate to his or her duties and responsibilities as well as overall Company performance. In general, the annual incentive bonus is based on operational and financial results of the Company and the executive's individual performance in achieving the results.

The stock option program is designed to relate executives' and certain middle managers' and other key personnel's long-term interests to stockholders' long-term interests. In general, stock option awards are granted if warranted by the Company's growth and profitability. Stock options are awarded on the basis of individual performance and/or the achievement of internal strategic objectives.

The Committee established the Chief Executive Officer's total annual compensation based on the size, complexity and historical performance of the Company's business, the Company's position as compared to its peers in the industry, and the specific challenges faced by the Company during the year, such

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as changes in the market for computer products and services and other industry factors. No specific weight was assigned to any of the criteria relative to the Chief Executive Officer's compensation.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to the company's CEO and the four other most highly compensated executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The Compensation Committee reviews the potential effect of Section 162(m) periodically and uses its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes such payments are appropriate and in the best interests of the Company and its stockholders, after taking into consideration changing business conditions and the performance of our employees.

Compensation Committee Members  
(as currently constituted)

Robert W. Howe  
John E. Klein

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

CLASS A COMMON STOCK

There are, as of March 31, 2003, approximately 241 holders of record and 14,836 beneficial holders of the Company's Class A Common Stock. The following table sets forth certain information, as of March 31, 2003, with respect to holdings of each class of the Company's Class A Common Stock by (i) each person known by the Company to beneficially own more than 5% of the total number of shares of each class of Class A Common Stock outstanding as of such date, (ii) each of the Company's Directors (which includes all nominees), (iii) each of the Company's Named Executives, and (iv) all Directors and executive officers as a group. This information is based upon information furnished to the Company by each such person and/or based upon public filings with the Securities and Exchange Commission. Unless otherwise indicated, the address for the individuals below is that of the Company address.

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1) -----
(i) Certain Beneficial Owners:	
(ii) Directors (which includes all nominees) and Named Executives who are not set forth above:	
Wijayaraj Mahadeva(3).....	1,911,750
Lakshmi Narayanan(4).....	544,500
Gordon Coburn(5).....	123,645

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Francisco D'Souza(6).....	193,593
Robert W. Howe(7).....	34,200
John E. Klein(8).....	151,200
Venetia Kontogouris(9).....	130,500
Robert E. Weissman(10).....	84,222
Thomas M. Wendel(11).....	--

(iii) All Directors and executive officers as a group (9 persons)(12).....	3,174,327
--	-----------

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\* Less than one percent.

(1) Except as set forth in the footnotes to this table and subject to applicable community property law, the persons named in the table have sole voting and investment power with respect to all shares of Class A Common Stock shown as beneficially owned by such stockholder. All shares numbers have been adjusted to account for a three-for-one stock split that occurred on April 1, 2003.

(2) Applicable percentage of ownership is based on an aggregate of 61,499,007 shares of Class A Common Stock outstanding on March 31, 2003 (post-split adjusted), plus any presently exercisable stock options held by each such holder, and options which will become exercisable within 60 days after March 31, 2003.

(3) Includes 1,911,750 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 1,605,000 shares of Class A Common Stock underlying options which become exercisable over time after such period.

(4) Represents 544,500 shares of Class A Common Stock underlying options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 399,000 shares of Class A Common Stock underlying options which become exercisable over time after such period.

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(5) Includes 18,870 shares of Class A Common Stock owned of record and 104,775 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 303,000 shares of Class A Common Stock underlying options, which become exercisable over time after such period.

(6) Includes 56,121 shares of Class A Common Stock owned of record and 137,472 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 348,000 shares of Class A Common Stock underlying options which become exercisable over time after such period.

(7) Includes 11,700 shares of Class A Common Stock owned of record and 22,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 22,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.

(8) Includes 98,700 shares of Class A Common Stock owned of record and

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52,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 22,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.

- (9) Includes 3,000 shares of Class A Common Stock owned of record and 127,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 22,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (10) Includes 61,722 shares of Class A Common Stock owned of record and 22,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2003 or sixty (60) days after such date. Excludes 37,500 shares of Class A Common Stock underlying options which become exercisable over time 60 days after March 31, 2003.
- (11) Excludes 37,500 shares of Class A Common Stock underlying options which become exercisable over time 60 days after March 31, 2003.
- (12) Includes an aggregate of 2,923,497 shares of Class A Common Stock underlying options granted to Directors and executive officers listed in the table which are exercisable as of March 31, 2003 or within sixty (60) days after such date. Excludes 2,797,500 shares of Class A Common Stock underlying options granted to executive officers and Directors, which become exercisable over time after such period.

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From November 30, 1996 through June 30, 1998, the Company was a subsidiary of Cognizant Corporation. In June 1998, Cognizant Corporation spun off (the "Spin-Off") IMS Health. IMS Health consisted of all of Cognizant's businesses other than the business conducted by Nielsen Media Research. Therefore, all shares of the Company held by Cognizant Corporation immediately prior to the Spin-Off were subsequently held by IMS Health.

At December 31, 2002, IMS Health owned 55.3% of the outstanding common stock of the Company (representing all of the Company's Class B Common Stock) and held 92.5% of the combined voting power of Company's common stock. On January 30, 2003, the Company filed a tender offer in which IMS Health stockholders could exchange IMS Health shares held by them for the Company's Class B Common Stock held by IMS Health. On February 13, 2003, IMS Health distributed all of the Company's Class B Common Stock that it owned, a total of 33,872,700 Class B shares, in the Exchange Offer to its stockholders. IMS Health distributed 0.927 shares of the Company's Class B Common Stock to its stockholders for every one share of IMS Health's common stock tendered. Accordingly, as of February 13, 2003, IMS Health is no longer a related party since it no longer owns any equity interest or holds any voting power in the Company.

In connection with the Exchange Offer, IMS Health, as the Company's then majority stockholder, approved the Company's Restated Certificate of Incorporation which amended and restated the Company's Amended and Restated

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Certificate of Incorporation. The Company's Restated Certificate of Incorporation became effective following consummation of the Exchange Offer. The material terms of these amendments:

- o provide for a classified board of directors;
- o set the number of Cognizant's directors; and
- o provide for supermajority approval requirements for actions to amend, alter, change, add to or repeal specified provisions of Cognizant's certificate of incorporation and any provision of the by-laws.

In connection with the Exchange Offer, the Company's Board of Directors also approved amendments to the Company's by-laws, which became effective following completion of the Exchange Offer. The material terms of these amendments made to the Company's by-laws affect nominations of persons for election to the Board of Directors and proposals of business at annual or special meeting of stockholders.

### AGREEMENTS WITH IMS HEALTH AND ITS PREDECESSORS AS OF DECEMBER 31, 2002

The Company and IMS America, IMS International and Nielsen Media Research, then operating subsidiaries of Cognizant Corporation, have entered into Master Services Agreements and the Company and IMS Health are parties to the Intercompany Agreement and the Intercompany Services Agreement. Cognizant Corporation and the Company entered into the License Agreement. The material terms of these agreements are summarized below. Because the Company was controlled by Cognizant Corporation at the time these agreements were executed, none of these agreements resulted from arms-length negotiations and, therefore, the terms thereof may be more or less favorable to the Company than those obtainable from unaffiliated third parties. Upon the consummation of the Spin-Off of IMS Health, the Master Services Agreements remained in effect and the Intercompany Agreement and the Intercompany Services Agreement were assigned to IMS Health.

**Master Services Agreement.** Pursuant to a Master Services Agreement, the Company continues to provide software development and maintenance services to IMS Health and its subsidiaries. During 2002, such services resulted in revenue to the Company in the amount of \$20.4 million. The Master Services Agreement provides that any work order issued thereunder may be terminated by IMS Health with or without cause on 30 days' prior written notice.

**Intercompany Agreement.** The Intercompany Agreement provided that until IMS Health and its affiliates ceased to control at least 50% of the combined voting power of the outstanding voting stock of the Company (which occurred on February 13, 2003), the prior written consent of IMS Health would be required for (i) any acquisition of capital stock or assets by the Company or any of its subsidiaries or disposition of assets of the Company or any of its subsidiaries (other than transactions to which the Company and its subsidiaries are the only parties), or any series of

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related acquisitions or dispositions, involving gross consideration (including the assumption of indebtedness) in excess of the greater of \$10.0 million and six percent of the Company's total equity market capitalization, (ii) any issuance by the Company or any subsidiary of the Company of any equity securities or rights, warrants or options to purchase such equity securities, except for equity securities issued to Directors, employees and consultants



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pursuant to the Employee Plan and the Director Plan and other outstanding options and equity securities issued in connection with acquisitions approved by IMS Health and (iii) the creation or incurrence by the Company or any of its subsidiaries of indebtedness for borrowed money in excess of \$10.0 million, except for indebtedness incurred to finance any acquisition approved by IMS Health.

Pursuant to the Intercompany Agreement, the Company had granted to IMS Health certain demand and "piggyback" registration rights with respect to shares of Common Stock owned by IMS Health. IMS Health had the right to request up to two demand registrations in each calendar year, but not more than six in any five-year period. The Company could postpone such a demand under certain circumstances. IMS Health also had the right, which it could exercise at any time and from time to time, to include the shares of Common Stock held by it in any registration of common equity securities of the Company initiated by the Company on its own behalf or on behalf of any other stockholders of the Company. Such registration rights were transferable by IMS Health. The Company agreed to pay all costs and expenses in connection with each such registration, except underwriting discounts and commissions applicable to the shares of Common Stock sold by IMS Health. The Intercompany Agreement contained customary terms and provisions with respect to, among other things, registration procedures and certain rights to indemnification granted by parties thereunder in connection with the registration of Common Stock on behalf of IMS Health.

Pursuant to the Intercompany Agreement, the Company indemnified IMS Health and its subsidiaries (other than the Company) and their respective officers, directors, employees and agents against certain losses based on, arising out of or resulting from the conduct of the Company's business and IMS Health similarly indemnified the Company and its subsidiaries and their respective officers, directors, employees and agents against certain losses based on, arising out of or resulting from IMS Health's other businesses. In addition, Cognizant Corporation assigned to the Company certain rights to indemnification from The Dun & Bradstreet Corporation and certain of its former affiliates.

Intercompany Services Agreement. Pursuant to the Intercompany Services Agreement, IMS Health provided the Company with certain administrative services, including payroll and payables processing and permitted the Company to participate in IMS Health's business insurance plans. In prior periods, IMS Health provided certain other services such as tax planning and compliance, which have now been transitioned to the Company. Certain employees also participate in IMS Health's employee benefit plans. The Intercompany Services Agreement's initial term extended through December 31, 1998. Subsequent to December 31, 1998, the Intercompany Services Agreement continued for successive one-year terms unless terminated by either party on not less than 60 days' written notice prior to the end of the initial term or any renewal term. Any change in the fees provided for under the terms of the Intercompany Services Agreement was subject to the approval of a majority of the Independent Directors.

License Agreement. Pursuant to the License Agreement, Cognizant Corporation transferred all rights to the use of the "Cognizant" trade name and certain other trade and service marks (the "Marks") to the Company upon the consummation in mid-1998 of the spin-off of IMS Health.

### AGREEMENTS WITH IMS HEALTH IN CONNECTION WITH THE EXCHANGE OFFER

In connection with the Exchange Offer, the Company amended existing agreements with IMS Health which included:

- o an amended and restated Intercompany Services Agreement, which provides

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for the continued provision of payroll, payables processing and certain other administrative services for a term of up to one year; and

- o a Master Services Agreements pursuant to which the Company continues to provide IT services to IMS Health on terms that are comparable to unrelated third parties.

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The Company also entered into a Distribution Agreement, dated January 7, 2003, with IMS Health (the "Distribution Agreement"), the terms of which were approved by a special committee of the Board of Directors of the Company, which was comprised of the Company's independent directors. The Distribution Agreement sets forth certain rights and obligations of IMS Health and the Company in respect of the Exchange Offer in addition to those provided in the Intercompany Services Agreement. The material terms of the Distribution Agreement include:

- o the resignation of David M. Thomas and Nancy E. Cooper from any boards of directors of the Company's subsidiaries on which they served;
- o indemnification provisions in respect of the respective disclosure in the Exchange Offer documents, the conduct of the Exchange Offer and any failure to perform under the terms of the Distribution Agreement;
- o the agreement of the Company to undertake to be jointly and severally liable to certain of IMS Health's prior affiliates for liabilities arising out of or in connection with IMS Health's business and the businesses of the Company and other successors to the businesses of Cognizant Corporation in accordance with the terms of the Distribution Agreement, dated as of October 28, 1996, among Cognizant Corporation, which has been renamed Nielsen Media Research, Inc., The Dun & Bradstreet Corporation, which has been renamed the R.H. Donnelly Corporation and ACNielsen Corporation and related agreements. However, subject to the general allocation of liabilities arising from the respective businesses of IMS Health and the Company, IMS Health has agreed to indemnify and reimburse the Company for liabilities incurred with respect to these undertakings;
- o the continuation of certain commercial relationships between the companies for a period of at least three years; and
- o provisions governing the administration of certain insurance programs and procedures for making claims.

The Distribution Agreement also provides that IMS Health and the Company will comply with, and not take any action during the relevant time period that is inconsistent with, the representations made to and relied upon by McDermott, Will & Emery in connection with rendering its opinion regarding the U.S. federal income tax consequences of the Exchange Offer. In addition, pursuant to the Distribution Agreement, the Company indemnifies IMS Health for any tax liability to which they may be subject as a result of the Exchange Offer but only to the extent that such tax liability resulted solely from a breach in the representations the Company made to and were relied upon by McDermott, Will & Emery in connection with rendering its opinion regarding the U.S. federal income tax consequences of the Exchange Offer.

TRANSACTIONS WITH IMS HEALTH AND OTHER AFFILIATES

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Prior to the consummation of the Company's initial public offering in June 1998 ("IPO"), Cognizant Corporation and The Dun & Bradstreet Corporation provided the Company with certain administrative services, including financial planning and administration, legal, tax planning and compliance, treasury and communications, and permitted the Company to participate in Cognizant Corporation's insurance and employee benefit plans. Costs for these services for all periods prior to the IPO were allocated to the Company based on utilization of certain specific services. All subsequent services were performed under the Intercompany Services Agreement with Cognizant Corporation and subsequent to the Spin-Off, IMS Health. Certain of these services have since been transitioned to the Company. Total costs in connection with services provided by IMS Health during the year ended December 31, 2002 were approximately \$656,000.

During 2002, the Company provided services to the former Erisco Managed Care Technologies, Inc. ("Erisco"), which is now a wholly owned subsidiary of the Trizetto Group, Inc. ("Trizetto"). As of December 31, 2002, IMS Health owned approximately 26.4% of the outstanding common stock of Trizetto. During 2002 the Company recorded revenues from Erisco of approximately \$2.6 million. In addition, the Company paid to Erisco approximately \$0.7 million for commissions and marketing fees. In addition, David M. Thomas, a member of the Company's Board of Directors during 2002, is also a member of the Board of Directors of Trizetto.

Certain employees of the Company, including Mr. Mahadeva and Mr. Coburn, participated in IMS Health's defined benefit pension plans. The plans are cash balance pension plans under which six percent of creditable

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compensation plus interest is credited to the employee's retirement account on a monthly basis. The cash balance earns monthly investment credits based on the 30-year Treasury bond yield. At the time of retirement, the vested employee's account balance is actuarially converted into an annuity. The Company's cost for these plans is included in the allocation of expense from IMS Health for employee benefits plans.

In October 1997, the Company loaned \$63,300 to Mr. Narayanan for the purchase of a residence. The loan was secured by the residence and bore interest at the rate of two percent per annum. Principal and interest on the loan were payable over a ten-year period. Mr. Narayanan repaid the entire loan in April 2001.

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### PROPOSED AMENDMENT TO THE 1999 INCENTIVE COMPENSATION PLAN

The Incentive Plan was adopted by Board of Directors on April 13, 1999 and approved by the stockholders of the Company on May 25, 1999. Currently, there are 18,000,000 shares of Class A Common Stock reserved for issuance upon the exercise of stock options or other awards granted under the Incentive Plan.

#### GENERAL

The purpose of the Incentive Plan is to:

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- o aid the Company in motivating certain employees, non-employee directors and independent contractors to put forth maximum efforts toward the growth, profitability and success of the Company; and
- o provide incentives which will attract and retain highly qualified individuals as employees and non-employee directors and to assist in aligning the interests of such employees and non-employee directors with those of the Company's stockholders.

Pursuant to the Incentive Plan, all employees of the Company, all non-employee directors of the Company and all independent contractors for the Company are eligible to receive awards that may be stock-based or payable in cash. Subject to adjustment, for among other things, a merger, consolidation, reorganization, stock split, or other change in capital structure, an individual is limited to a maximum of 4,500,000 shares during the life of the Incentive Plan. Additionally, the maximum dollar amount paid in cash to any individual during the life of the Incentive Plan is \$10,000,000. The Incentive Plan terminates on April 13, 2009, unless sooner terminated by the Board of Directors. The Board may amend the Incentive Plan, except that no such action can adversely affect awards previously granted. Without stockholder approval, the Board may not:

- o increase the total amount of the Class A Common Stock allocated to the Incentive Plan (except for permitted capital adjustments);
- o increase the maximum amount of the Class A Common Stock with respect to all awards measured in Class A Common Stock that may be granted to any individual under the Incentive Plan;
- o increase the maximum dollar amount that may be paid with respect to all awards measured in cash; or
- o modify the requirements as to eligibility for awards.

Additionally, stockholder approval is necessary if an amendment (1) is required by the stock exchange or national market system on which the Class A Common Stock is listed or (2) will disqualify any incentive stock option granted under the Incentive Plan.

The Incentive Plan is administered by the Compensation Committee. Subject to the provisions of the Incentive Plan, the Compensation Committee has the authority, among other things, to do the following:

- o determine eligibility for participation;
- o determine eligibility for and the type and size of awards;
- o issue administrative guidelines and make rules as an aid to administer the Incentive Plan;
- o grant waivers of terms, conditions, restrictions and limitations; and
- o accelerate the vesting of any award.

TYPES OF AWARDS

Several types of awards are provided for by the Incentive Plan. The awards may be measured in stock or in cash. An award may be designated as a stock option, stock appreciation right, stock award, stock unit, performance share, performance unit or cash.

**Stock Options.** The Incentive Plan provides for the granting of options intended to qualify as incentive stock options, or ISOs, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Incentive Plan also provides for the granting of non-qualified stock options, or NQSOs. ISOs or NQSOs may be granted to employees, while only NQSOs may be granted to non-employee directors and independent contractors. ISOs granted under the Incentive Plan may not be granted at an exercise price less than fair market value of the underlying shares on the date of grant. NQSOs granted under the Incentive Plan may not be granted at an exercise price less than fair market value of the underlying shares on the date of grant unless the Compensation Committee determines otherwise on the date of grant. Unless the Compensation Committee specifies otherwise, options granted under the Incentive Plan become exercisable to the extent of 25% of the grant on each of the first, second, third and fourth anniversary of the grant. Under the Incentive Plan, ISOs and NQSOs expire 10 years after the grant.

**Stock Appreciation Rights.** Stock appreciation rights ("SARs") entitle their recipients to receive payments in cash, Class A Common Stock or a combination as determined by the Compensation Committee. Any such payments will represent the appreciation in the market value of a specified number of shares from the date of grant until the date of exercise. Such appreciation will be measured by the excess of the fair market value on the exercise date over the fair market value of the Class A Common Stock, or other valuation (which shall be no less than the fair market value of the Class A Common Stock) on the effective date of grant of SARs or the grant of an award which the SAR replaced.

**Stock Awards.** A stock award consists of shares of Class A Common Stock, subject to such terms and conditions as determined by the Compensation Committee. A grantee of a stock award has all of the rights of a holder of shares of Class A Common Stock unless otherwise determined by the Compensation Committee on the date of grant.

**Stock Units.** A stock unit is a hypothetical share of Class A Common Stock represented by a notional account established and maintained or caused to be established and maintained by the Company for a grantee of a stock unit. Stock units are subject to such terms and conditions as determined by the Compensation Committee. A stock unit shall provide for payment in shares of Class A Common Stock at such time as the award agreement shall specify. The Compensation Committee has the sole discretion to pay the stock unit in Class A Common Stock, cash or a combination.

**Performance Shares.** A performance share consists of a share or shares of Class A Common Stock, subject to such terms and conditions as determined by the Compensation Committee. Such terms and conditions may include, among other things, a determination of performance goals which will determine the number and/or value of the performance shares that will be paid out or distributed. The Compensation Committee has the sole discretion to pay the performance share in Class A Common Stock, cash or a combination.

**Performance Unit.** A performance unit is a hypothetical share or shares of Class A Common Stock represented by a notional account established and maintained or caused to be established and maintained by the Company for a grantee of a performance unit. Performance units are subject to such terms and conditions as determined by the Compensation Committee. Such terms and conditions may include, among other things, a determination of performance goal

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or goals which will determine the number and/or value of the performance units that will be accrued. The Compensation Committee has the sole discretion to pay the performance share in Class A Common Stock, cash or a combination.

Cash Awards. The Compensation Committee may grant cash awards subject to such terms and conditions as it determines appropriate.

Subject to certain criteria, Compensation Committee has the sole discretion to designate awards as performance-based awards if it determines that such compensation might not be tax deductible by the Company under Section 162(m) of the Code. The Compensation Committee may use the following performance measures

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(either individually or in any combination) to set performance goals with respect to awards intended to qualify as performance-based awards: net sales; pretax income before allocation of corporate overhead and bonus; budget; cash flow; earnings per share; net income; division, group or corporate financial goals; return on stockholders' equity; return on assets; attainment of strategic and operational initiatives; appreciation in and/or maintenance of the price of the Class A Common Stock or any other publicly-traded securities of the Company; market share; gross profits; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; economic value-added models; comparisons with various stock market indices; increase in number of customers; and/or reductions in costs. The material terms of performance goals must be approved by the Company's stockholders. Additionally, the material terms of performance goals must be disclosed and reapproved by the Company's stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the Company's stockholders previously approved such performance goals.

In the event a grantee's employment with the Company is terminated due to death or disability, all non-vested portions of awards are forfeited. All vested portions of stock options or SARs remain exercisable during the shorter of the remaining stated term of the stock option or SAR or twelve months following the date of death or disability. If a grantee's employment is terminated for cause, as defined in the Incentive Plan, all awards, whether vested or non-vested, are forfeited. If a grantee's employment is terminated any other reason other than for cause or due to death or disability, all non-vested portions of awards are forfeited and all vested portions of stock options or SARs remain exercisable during the shorter of the remaining stated term of the award or 90 days following the date of termination. Notwithstanding the above, the Compensation Committee may, in its discretion, provide that:

- o the vesting of any or all non-vested portions of stock options or SARs held by a grantee on the date of his or her death or termination shall be accelerated and remain exercisable for the term of the stock option or SAR;
- o any or all vested portions of non-qualified stock options or SARs held by a grantee on the date of his or her death or termination shall remain exercisable until a date that occurs on or prior to the date the stock option or SAR is scheduled to expire; and/or
- o any or all non-vested portions of stock awards, stock units, performance shares, performance units and/or cash awards held by a grantee on the date of his or her death or termination shall become vested on a date that occurs on or prior to the date the award is scheduled to vest.

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Generally, all awards under the Incentive Plan are nontransferable except by will or in accordance with the laws of descent and distribution. Stock options and SARs are exercisable only by the grantee during his or her lifetime. The Compensation Committee, in its discretion, may permit the transferability of a stock option (other than an ISO) by a grantee to members of his or her immediate family or trusts or other similar entities for the benefit of such person.

### CHANGE IN CONTROL

Upon the occurrence of a change in control of the Company, as defined in the Incentive Plan, with certain exceptions, the Compensation Committee has the discretion to, among other things, accelerate the vesting and payout of outstanding awards or provide that an award be assumed by the entity which acquires control of the Company or be substituted by a similar award under such entity's compensation plan.

### FEDERAL TAX ASPECTS OF THE INCENTIVE PLAN

The Company believes that, under the present law, the following are the federal tax consequences generally arising with respect to awards granted under the Incentive Plan. The grant of an option or SAR will create no tax consequences for an optionee or the Company. The optionee will have no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and the Company will receive no deduction when an ISO is exercised. Upon exercising an option other than an ISO, the optionee must recognize ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise; the Company will be entitled to a deduction for the same amount. The treatment of an optionee on a disposition of shares acquired through the exercise of an option depends on how long the shares have been held and on whether such shares were acquired by exercising an ISO or by exercising an option other than an ISO. Generally, there will be no tax

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consequences to the Company in connection with a disposition of shares acquired under an option except that the Company may be entitled to a deduction in the case of a disposition of shares acquired under an ISO before the applicable ISO holding periods have been satisfied.

With respect to other awards granted under the Incentive Plan that are settled either in cash or in stock or other property that is either transferable or not subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the cash or the fair market value of shares or other property received; the Company will be entitled to a deduction for the same amount. With respect to awards that are settled in stock or other property that is restricted as to transferability and subject to substantial risk of forfeiture, the participant must recognize ordinary income equal to the fair market value of the shares or other property received at the time the shares or other property become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier; the Company will be entitled to a deduction for the same amount. Different tax rules may apply with respect to participants who are subject to Section 16 of the Exchange Act.

### PREVIOUSLY GRANTED OPTIONS UNDER THE INCENTIVE PLAN

As of March 31, 2003, options to purchase 16,424,397 shares of Class A

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Common Stock have been granted (net of forfeitures which are added back to the shares available for issuance under the Incentive Plan) under the Incentive Plan. The weighted average exercise price of such options is \$12.46 per share.

The following table sets forth certain information as of March 31, 2003 with respect to options granted under the Incentive Plan since inception to (i) the Named Executives; (ii) all current executive officers as a group; (iii) each nominee for election as a Director; (iv) all current Directors who are not executive officers as a group; (v) each associate of any of such Directors, executive officers or nominees; (vi) each person who has received or is to receive 5% of such options or rights; and (vii) all employees, including all current officers who are not executive officers, as a group:

NAME -----	OPTIONS GRANTED THROUGH MARCH 31, 2003(1) -----
Wijayaraj Mahadeva.....	3,405,750
Lakshmi Narayanan.....	742,500
Gordon Coburn.....	598,500
Francisco D'Souza.....	638,250
Robert W. Howe.....	45,000
John Klein.....	45,000
Venetia Kontogouris.....	111,000
Robert E. Weissman .....	60,000
Thomas Wendel.....	60,000
All current executive officers as a group (4 persons)....	5,385,500
All current Directors who are not executive officers as a group (5 persons).....	240,000
All employees, including all current officers who are not executive officers as a group (1,555 persons).....	11,039,397

-----  
 (1) Such numbers reflect the three-for-one stock split that occurred on April 1, 2003.

As of March 31, 2003, the market value of the Class A Common Stock underlying the Incentive Plan was \$22.44 per share.

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### PROPOSED AMENDMENT

Stockholders are being asked to consider and vote upon a proposed amendment to the Incentive Plan to increase the maximum number of shares of Class A Common Stock available for issuance under the Incentive Plan from 18,000,000 to 24,000,000 shares. The additional 6,000,000 shares of Class A Common Stock of the Company will be reserved for issuance upon the exercise of stock options or other awards granted under the Incentive Plan.

The Board of Directors believes that the amendment provides an important inducement to recruit and retain the best available personnel and will assist in aligning the interests of such personnel with those of the Company.



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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE INCENTIVE PLAN TO INCREASE THE MAXIMUM NUMBER OF SHARES OF CLASS A COMMON STOCK AVAILABLE FOR ISSUANCE UNDER THE INCENTIVE PLAN FROM 18,000,000 TO 24,000,000 SHARES AND USE OF THE ADDITIONAL 6,000,000 SHARES OF CLASS A COMMON STOCK OF THE COMPANY FOR ISSUANCE UPON THE EXERCISE OF STOCK OPTIONS GRANTED OR FOR THE ISSUANCE OF OTHER AWARDS GRANTED UNDER THE INCENTIVE PLAN.

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### RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors of the Company has, subject to stockholder approval, retained PricewaterhouseCoopers LLP as independent accountants of the Company for the year ending December 31, 2003. PricewaterhouseCoopers LLP also served as independent accountants of the Company for 2002. Neither the accounting firm nor any of its members has any direct or indirect financial interest in or any connection with the Company in any capacity other than as accountants.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT AUDITORS OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2003.

One or more representatives of PricewaterhouseCoopers is expected to attend the Meeting and to have an opportunity to make a statement and/or respond to appropriate questions from stockholders.

### FEES PAID TO INDEPENDENT PUBLIC ACCOUNTANTS

As mentioned previously, the accounting firm of PricewaterhouseCoopers served as the Company's independent public accountants for the year ended December 31, 2002. In addition to rendering audit services during 2002, PricewaterhouseCoopers performed various non-audit services for the Company worldwide.

#### Audit Fees

The aggregate fees billed by PricewaterhouseCoopers for audit services in connection with the Company's financial statements for the fiscal year ended December 31, 2002 and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the last fiscal year were \$306,700, of which \$159,500 was billed as of December 31, 2002. The aggregate amount includes fees related to the filing of various statutory reports worldwide.

#### Financial Information Systems and Design Implementation Fees

There were no fees paid to PricewaterhouseCoopers LLP for professional services rendered for the most recent fiscal year in connection with the design and implementation of financial information systems, the operation of the Company's information system or the management of its local area network.

#### All Other Fees

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The aggregate fees for all other professional services rendered by PricewaterhouseCoopers for the fiscal year ended December 31, 2002 were \$668,700, of which \$400,300 was billed as of December 31, 2002. The aggregate fees include audit-related services of \$482,200, tax-related services of \$161,100 and non-audit services of \$25,400. Audit-related services generally include services rendered in connection with SEC registration statements, accounting for acquisitions, benefit plan audits, and accounting consultations. Non-audit services primarily relates to certain training services. The Audit Committee has concluded that the provision of these services by PricewaterhouseCoopers is compatible with maintaining its independence.

### STOCKHOLDERS' PROPOSALS

Stockholders who intend to have a proposal considered for inclusion in the Company's proxy materials for presentation at the Company's 2004 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Exchange Act must submit the proposal to the Secretary of the Company at its offices at 500 Glenpointe Centre West, Teaneck, New Jersey 07666, in writing not later than December 31, 2003.

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Stockholders who intend to present a proposal at such meeting without inclusion of such proposal in the Company's proxy materials pursuant to Rule 14a-8 under the Exchange Act are required to provide advance notice of such proposal to the Secretary of the Company at the aforementioned address not later than March 15, 2004.

If the Company does not receive notice of a stockholder proposal within this timeframe, the Company's management will use its discretionary authority to vote the shares it represents as the Board of the Company may recommend.

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these or other applicable requirements.

### HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of the Company's proxy statement or annual report may have been sent to multiple stockholders in your household. The Company will promptly deliver a separate copy of either document to you if you call or write the Company at the following address or phone number: 500 Glenpointe Centre West, Teaneck, New Jersey 07666 (201) 801-0233. If you want to receive separate copies of the annual report and proxy statement in the future or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holders, or you may contact the Company at the above address and phone number.

### OTHER MATTERS

The Board of Directors is not aware of any matter to be presented for action at the Meeting other than the matters referred to above and does not intend to bring any other matters before the Meeting. However, if other matters should come before the Meeting, it is intended that holders of the proxies will

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vote thereon in their discretion.

GENERAL

The accompanying proxy is solicited by and on behalf of the Board of Directors of the Company, whose notice of meeting is attached to this Proxy Statement, and the entire cost of such solicitation will be borne by the Company.

In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by Directors, officers and other employees of the Company who will not be specially compensated for these services. The Company will also request that brokers, nominees, custodians and other fiduciaries forward soliciting materials to the beneficial owners of shares held of record by such brokers, nominees, custodians and other fiduciaries. The Company will reimburse such persons for their reasonable expenses in connection therewith.

Certain information contained in this Proxy Statement relating to the occupations and security holdings of Directors and officers of the Company is based upon information received from the individual Directors and officers.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION WILL FURNISH, WITHOUT CHARGE, A COPY OF ITS REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2002, INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO BUT NOT INCLUDING EXHIBITS, TO EACH OF ITS STOCKHOLDERS OF RECORD ON APRIL 17, 2003, AND TO EACH BENEFICIAL STOCKHOLDER ON THAT DATE UPON WRITTEN REQUEST MADE TO THE SECRETARY OF THE COMPANY. A REASONABLE FEE WILL BE CHARGED FOR COPIES OF REQUESTED EXHIBITS.

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PLEASE DATE, SIGN AND RETURN THE PROXY CARD AT YOUR EARLIEST CONVENIENCE IN THE ENCLOSED RETURN ENVELOPE. A PROMPT RETURN OF YOUR PROXY CARD WILL BE APPRECIATED AS IT WILL SAVE THE EXPENSE OF FURTHER MAILINGS.

By Order of the Board of Directors

/s/ Gordon Coburn

-----  
Gordon Coburn,  
Secretary

Teaneck, New Jersey  
April 28, 2002

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ANNUAL MEETING OF STOCKHOLDERS OF  
COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

MAY 28, 2003

Please date, sign and mail  
your proxy card in the  
envelope provided as soon  
as possible.

Please detach and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE  
ELECTION OF DIRECTORS AND "FOR" PROPOSALS 2 AND 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.  
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [x]

- (1) To elect two (2) Class I, two (2) Class II and two (2) Class III  
Directors to serve until the 2004, 2005 and 2006, Annual Meeting  
of Stockholders respectively, and until their respective successors  
shall have been duly elected and qualified:

NOMINEES

- |   |   |           |
|---|---|-----------|
| <input type="checkbox"/> FOR ALL NOMINEES                           | <input type="radio"/> Wijeyaraj Mahadeva  | Class I   |
|   | <input type="radio"/> John E. Klein       | Class I   |
|   | <input type="radio"/> Robert W. Howe      | Class II  |
| <input type="checkbox"/> WITHHOLD AUTHORITY<br>FOR ALL NOMINEES     | <input type="radio"/> Robert E. Weissman  | Class II  |
|   | <input type="radio"/> Venetia Kontogouris | Class III |
| <input type="checkbox"/> FOR ALL EXCEPT<br>(See instructions below) | <input type="radio"/> Thomas M. Wendel    | Class III |

(2) To amend the Company Incentive Compensation Plan ("Incentive Plan"), 24,000,000 shares of Class A Common Stock under the Incentive Plan, 6,000,000 shares of Class A Common Stock of the Company will be reserved for the exercise of stock options and the issuance of other awards under the Incentive Plan;

(3) To ratify the appointment of PricewaterhouseCoopers LLP as the independent member firm for the year ending December 31, 2003.

(4) To transact such other business as may come before the Meeting and any adjournments thereof.

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold,

THIS PROXY, WHEN PROPERLY  
MANNER DIRECTED HEREIN BY  
IF NO DISCRETION IS GIVEN  
PROPOSALS 1, 2 AND 3.

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as shown here: 0

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. [ ] Please check here if you

Signature of Stockholder \_\_\_\_\_ Date: \_\_\_\_\_ Signature of Stockholder \_\_\_\_\_

NOTE: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
500 GLENPOINTE CENTRE WEST
TEANECK, NEW JERSEY 07666
ANNUAL MEETING OF STOCKHOLDERS
MAY 28, 2003

The undersigned hereby constitutes and appoints Wijeyaraj Mahadeva and Gordon Coburn, and each of them, his or her true and lawful agent and proxy with full power of substitution in each, to represent and to vote on behalf of the undersigned all of the shares of Class A Common Stock of Cognizant Technology Solutions Corporation (the "Company") which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the Company's headquarters, 500 Glenpointe Centre West, Teaneck, New Jersey at 10:00 A.M., local time, on Wednesday, May 28, 2003 and at any adjournment or adjournments thereof, upon the proposals listed on the reverse side, more fully described in the Notice of Annual Meeting of Stockholders and Proxy Statement for the Meeting (receipt of which is hereby acknowledged).

(CONTINUED AND TO BE SIGNED AND DATED ON REVERSE SIDE)

Appendix A

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

# Edgar Filing: COGNIZANT TECHNOLOGY SOLUTIONS CORP - Form DEF 14A

## 1999 INCENTIVE COMPENSATION PLAN, as amended

### 1.0 DEFINITIONS

The following terms shall have the following meanings unless the context indicates otherwise:

- 1.1 "Award" shall mean either a Stock Option, an SAR, a Stock Award, a Stock Unit, a Performance Share, a Performance Unit, or a Cash Award.
- 1.2 "Award Agreement" shall mean a written agreement between the Company and the Participant that establishes the terms, conditions, restrictions and/or limitations applicable to an Award in addition to those established by the Plan and by the Committee's exercise of its administrative powers.
- 1.3 "Board" shall mean the Board of Directors of the Company.
- 1.4 "Cash Award" shall mean the grant by the Committee to a Participant of an award of cash as described in Section 11 below.
- 1.5 "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 requested by the Company and/or its subsidiaries, (iii) failure by the Employee to observe material policies of the Company and/or its subsidiaries applicable to the Employee or (iv) the commission by the Employee of (x) any felony or (y) any misdemeanor involving moral turpitude.
- 1.6 "Change in Control of the Company" shall mean the occurrence of any of the following events:
- (a) any Person, as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act, or any successor section thereto, (other than (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, (iii) any Subsidiaries of the Company, (iv) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (v) IMS Health Incorporated or its Subsidiaries), becomes the beneficial owner, directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then-outstanding securities; provided however, that the acquisition of securities in a bona fide public offering or private placement of securities by an investor who is acquiring such securities for passive investment purposes only shall not constitute a "Change in Control".
  - (b) during any period of twenty-four months, individuals who at the beginning of such period constitute the Board, and any new director (other than (i) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 1.6 (a), (c) or (d) of the Plan, (ii) a director nominated by any Person (including the Company) who publicly announces an intention to take or to

consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control or (iii) a director nominated by any Person who is the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's shareholders is or was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously, so approved, cease for any reason to constitute at least a majority thereof;

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- (c) the effective date or date of consummation of any transaction or series of transactions (other than a transaction to which only the Company and one or more of its subsidiaries are parties) under which the Company is merged or consolidated with any other company, other than a merger or consolidation (i) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (ii) after which no Person holds 35% or more of the combined voting power of the then-outstanding securities of the Company or such surviving entity; or
- (d) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or