

COGNIZANT TECHNOLOGY SOLUTIONS CORP
Form DEF 14A
April 22, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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 Pursuant to ss.240.14a-12

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

(Name of Registrant as Specified in Its Charter)

(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:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

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

(5) Total fee paid:

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:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
500 Glenpointe Centre West
Teaneck, New Jersey 07666

April 22, 2004

To Our Stockholders:

You are most cordially invited to attend the 2004 Annual Meeting of Stockholders of Cognizant Technology Solutions Corporation at 10:00 a.m. local time, on Wednesday, May 26, 2004, at our 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 at 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/ Lakshmi Narayanan

Lakshmi Narayanan
President and Chief Executive
Officer

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
500 Glenpointe Centre West
Teaneck, New Jersey 07666

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 26, 2004

The Annual Meeting of Stockholders (the "Meeting") of COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION, a Delaware corporation, will be held at our headquarters, 500 Glenpointe Centre West, Teaneck, New Jersey on Wednesday, May 26, 2004, at 10:00 a.m. local time, for the following purposes:

- (1) To elect two (2) Class I Directors to serve until the 2007 Annual Meeting of Stockholders, or until their respective successors shall have been duly elected and qualified;
- (2) To amend our Restated Certificate of Incorporation to (i) increase the number of authorized shares of our Class A Common Stock from 100,000,000 shares to 325,000,000 shares and (ii) eliminate the authorization of our Class B Common Stock;
- (3) To amend our 1999 Incentive Compensation Plan, as amended (the "Incentive Plan"), to (i) increase the maximum number of shares of Class A Common Stock reserved for issuance from 18,000,000 to 19,000,000 shares and to reserve an additional 1,000,000 shares of Class A Common Stock for issuance upon the exercise of stock options or for the issuance of other awards granted under the Incentive Plan, (ii) provide that repricing of stock options may not occur without stockholder approval, (iii) provide for minimum restriction periods for stock based awards, other than stock options, (iv) provide that stock options may not be granted below fair market value and (v) provide that all material amendments to the Incentive Plan shall be subject to stockholder approval;
- (4) To adopt our 2004 Employee Stock Purchase Plan;
- (5) To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2004; and
- (6) To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Holders of record of our Class A Common Stock as of the close of business on April 13, 2004 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 our 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.

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

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 US 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

Teaneck, New Jersey

Gordon Coburn
Secretary

April 22, 2004

Our 2003 Annual Report accompanies the Proxy Statement.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
500 Glenpointe Centre West
Teaneck, New Jersey 07666

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Cognizant Technology Solutions Corporation of proxies to be voted at our Annual Meeting of Stockholders to be held on Wednesday, May 26, 2004 (the "Meeting"), at our 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 13, 2004, will be entitled to notice of and to vote at the Meeting and any adjournment or adjournments thereof. As of that date, there were 64,695,174 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 our 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 13, 2004, there were no holders of record of our Class B Common Stock.

In this Proxy Statement, "Cognizant", "Company," "we," "us," and "our" refer to Cognizant Technology Solutions Corporation.

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 Director nominees; (ii) FOR the proposal to amend our

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

Restated Certificate of Incorporation to (A) increase the number of authorized shares of our Class A Common Stock from 100,000,000 shares to 325,000,000 shares and (B) eliminate the authorization of our Class B Common Stock; (iii) FOR the proposal to amend our 1999 Incentive Compensation Plan, as amended (the "Incentive Plan"), to (A) increase the maximum number of shares of Class A Common Stock reserved for issuance from 18,000,000 to 19,000,000 shares and to reserve an additional 1,000,000 shares of Class A Common Stock for issuance upon the exercise of stock options or for the issuance of other awards granted under the Incentive Plan, (B) provide that repricing of stock options may not occur without stockholder approval, (C) provide for minimum restriction periods for stock based awards, other than stock options, (D) provide that stock options may not be granted below fair market and (E) provide that all material amendments to the Incentive Plan shall be subject to stockholder approval; (iv) FOR the proposal to adopt our 2004 Employee Stock Purchase Plan; (v) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2004; and (vi) 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 our Secretary, 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. The affirmative vote of a majority of the shares of outstanding Class A Common Stock is required to amend our Restated Certificate of Incorporation to increase our authorized shares and eliminate the authorization of our Class B Common Stock. All actions proposed herein other than the election of Directors and the amendment to our Restated Certificate of Incorporation, 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 our Annual Report to Stockholders for the year ended December 31, 2003, including financial statements (the "Annual Report"), is being mailed to all stockholders of record as of April 13, 2004. The mailing date will be on or about April 28, 2004. In addition, we have provided brokers, dealers, banks, voting trustees and their nominees, at our expense, with additional copies of the Annual Report so that such record holders could supply such materials to beneficial owners as of April 13, 2004.

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

ELECTION OF DIRECTORS

At this Meeting, two Class I Directors are to be elected to hold office until the Annual Meeting of Stockholders to be held in 2007, or until their successors shall have been elected and qualified.

We currently have six Directors. As set forth in our Restated Certificate of Incorporation, the terms of office of the members of the Board of Directors are divided into three classes: Class I, whose term will expire at the 2004 Annual Meeting of Stockholders; Class II, whose term will expire at the 2005 Annual Meeting of Stockholders; and Class III, whose term will expire at the 2006 Annual Meeting of Stockholders. Effective December 19, 2003, in connection with his retirement, Wijayaraj (Kumar) Mahadeva resigned as a Class I member of our Board of Directors. The remaining members of the Board elected Lakshmi Narayanan as a Class I Director, filling the vacancy on the Board. Therefore, the current Class I Directors are Lakshmi Narayanan and John E. Klein, the current Class II Directors are Robert W. Howe and Robert E. Weissman and the current Class III Directors are Venetia Kontogouris and Thomas M. Wendel. At each Annual Meeting of Stockholders, the successors to Directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of Directors remove or shorten the term of any incumbent Director. This classification of our Board of Directors may have the effect of delaying or preventing changes in control or management of Cognizant.

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 our executive officers, Directors and key employees.

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 our Directors. 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.

NOMINEES FOR CLASS I DIRECTORS (TERMS TO EXPIRE AT THE 2007 ANNUAL MEETING)

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	Positions with Cognizant
Lakshmi Narayanan	51	2003	President, Chief Executive Officer and Director
John E. Klein	62	1998	Chairman of the Board and Director

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

LAKSHMI NARAYANAN was elected Chief Executive Officer in December 2003. Mr. Narayanan continues to serve as our President, a position he has held since his election in March 1998. Mr. Narayanan joined our Indian subsidiary as Chief Technology Officer in 1994 and was elected President of such subsidiary on January 1, 1996. Prior to joining us, from 1975 to 1994, Mr. Narayanan was the regional head of Tata Consultancy Services, a large consulting and software services company located in India. Mr. Narayanan holds a Bachelor of Science degree, a Master of Science degree and a Master of Business Administration degree from the Indian Institute of Science.

JOHN E. KLEIN was elected to the Board of Directors in March 1998 and elected to serve as our Chairman of the Board in December 2003. Mr. Klein currently serves as President and Chief Executive Officer of Polarex, Inc., an organization providing executive support to software and services companies, where he has been employed since 1999. Prior to that, Mr. Klein held various positions at various companies, including MDIS Group PLC a UK listed software and services company. In addition, Mr. Klein also served as Chairman of Glovia International and PRO IV Limited, two enterprise software and services companies. Prior to 1995, Mr. Klein was a Vice President for both Digital Equipment and IBM. Since June 2000, Mr. Klein has also served as a director of privately-held Questra Corporation, an enterprise software company. 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.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE NOMINEES FOR CLASS I DIRECTOR.

Continuing Members of the Board of Directors

CLASS II DIRECTORS (TERMS TO EXPIRE AT THE 2005 ANNUAL MEETING)

The current members of the Board of Directors who are Class II Directors are as follows:

Name	Age	Served as a Director Since	Positions with Cognizant
----	---	-----	-----
Robert W. Howe	57	1999	Director
Robert E. Weissman	63	2001	Director

The principal occupations and business experience, for at least the past five years, of each Class II Director are as follows:

ROBERT W. HOWE was elected to the Board of Directors in April 1999. Mr. Howe currently serves as Chairman of the Board of Directors of ADS Financial Services Solutions, a position he has held since January 1994. From February 1994 to December 2003, Mr. Howe served as Chief Executive Officer of ADS Financial Services. 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.

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

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.

- 3 -

CLASS III DIRECTORS (TERMS TO EXPIRE AT THE 2006 ANNUAL MEETING)

The current members of the Board of Directors who are Class III Directors are as follows:

Name	Age	Served as a Director Since	Positions with Cognizant
----	---	-----	-----
Venetia Kontogouris	53	1997	Director
Thomas M. Wendel	67	2001	Director

The principal occupations and business experience, for at least the past five years, of each Class III Director are as follows:

VENETIA KONTOGOURIS was elected to our Board of Directors in December 1997. Ms. Kontogouris is currently Managing Director of Trident Capital, a venture capital firm. Prior to joining Trident Capital in March 1999, Ms. Kontogouris was President of Enterprise Associates, Inc., a subsidiary of IMS Health from 1989 to 1999. Prior to joining Enterprise Associates, Inc., Ms. Kontogouris was Vice President of New Product Development for The Dun & Bradstreet Corporation from 1985 to 1989. Before working at The Dun & Bradstreet Corporation, Ms. Kontogouris held various sales and marketing positions at IBM and AT&T. 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 Information Systems, 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 previously served in various positions at Paine Webber, Inc., including Chief Financial Officer, Executive Vice President and Managing Director. Prior to

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

joining Paine Webber in 1982, Mr. Wendel was Senior Vice President and Chief Financial Officer of Pan American World Airways. 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.

CORPORATE GOVERNANCE

GENERAL

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. During the past year, we have continued to review our corporate governance policies and practices and to compare them to those suggested by various authorities in corporate governance and the practices of other public companies. We have also continued to review the provisions of the Sarbanes-Oxley Act of 2002, the new and proposed rules of the Securities and Exchange Commission and the new listing standards of the NASDAQ National Market.

Based on this review, in March 2004, our Board of Directors adopted Corporate Governance Guidelines, a Code of Business Conduct and Ethics and a charter for our Nominating and Corporate Governance Committee. In March 2004, we also amended and restated charters for our Audit Committee and Compensation Committee. You can access our current committee charters and Code of Business Conduct and Ethics in the "About Us" section of our Web site located at www.cognizant.com or by writing to our Secretary at our offices at 500 Glenpointe Centre West, Teaneck, New Jersey 07666.

DETERMINATION OF INDEPENDENCE

Under NASDAQ rules that become applicable to us on the date of the annual meeting, a Director will only qualify as an "independent director" if, in the opinion of our Board of Directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a

- 4 -

Director. Our Board of Directors has determined that none of Robert Howe, Thomas Wendel, John Klein, Venetia Kontogouris or Robert Weissman has a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director and that each of these Directors is an "independent director" as defined under Rule 4200(a)(15) of the NASDAQ Stock Market, Inc. Marketplace Rules.

DIRECTOR CANDIDATES

The process to be followed by the Nominating and Corporate Governance Committee to identify and evaluate Director candidates shall include requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended Director nominees, the Nominating and Corporate Governance Committee will apply the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience,

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

diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our Directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential Director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of Class A Common Stock for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o Corporate Secretary, Cognizant Technology Solutions Corporation, 500 Glenpointe Centre West, Teaneck, New Jersey 07666. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

COMMUNICATIONS FROM STOCKHOLDERS

The Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Our Secretary and Chairman of the Board, with the assistance of our General Counsel, are primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as they consider appropriate.

Under procedures approved by a majority of the independent Directors, communications are forwarded to all Directors if they relate to important substantive matters and include suggestions or comments that our Secretary and Chairman of the Board consider to be important for the Directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Board of Directors by emailing the Board of Directors at the following email address: corporategovernance@cognizant.com; or in writing: c/o Corporate Secretary, Cognizant Technology Solutions Corporation, 500 Glenpointe Centre West Teaneck, New Jersey 07666.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a written Code of Business Conduct and Ethics that applies to our Directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted the Code of Business Conduct and Ethics on our Web site, which is located at www.cognizant.com. In addition, we intend to post on our Web site all disclosures that are required by law or NASDAQ stock market listing standards concerning any amendments to, or waivers from, any provision of our Code of Business Conduct and Ethics.

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

ATTENDANCE BY MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

There were 11 meetings of the Board of Directors during 2003. Each 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.

Our Corporate Governance Guidelines adopted in March 2004 provide that Directors are expected to attend the annual meeting of stockholders. None of our Directors attended the 2003 Annual Meeting of Stockholders.

COMMITTEES OF THE BOARD

The Board of Directors has established three standing committees - Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee - each of which operates under a charter that has been approved by our Board of Directors. Current copies of each committee's charter are posted on the "About Us" section of our Web site www.cognizant.com. In addition, a copy of the Audit Committee charter, as in effect on the date of this proxy statement, is attached hereto as Appendix A.

The Board of Directors has determined that all of the members of each of the Board's three standing committees are independent as defined under the new rules of the NASDAQ Stock Market that become applicable to us on the date of the 2004 Annual Meeting, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934. In addition, all of the members of the Audit Committee are independent as defined by the rules of the NASDAQ Stock Market that apply to us until the date of the 2004 Annual Meeting.

Audit Committee

Our Audit Committee's responsibilities include:

- o appointing, approving the compensation of, and assessing the independence of our independent auditor;
- o overseeing the work of our independent auditor, including through the receipt and consideration of certain reports from independent auditors;
- o reviewing and discussing with management and the independent auditors our annual and quarterly financial statements and related disclosures;
- o monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- o discussing and assessing our risk management policies;
- o establishing policies regarding hiring employees from the independent auditor and procedures for the receipt and retention of accounting related complaints and concerns;
- o meeting independently with our independent auditors and management; and

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

- o preparing the audit committee report required by SEC rules (which is included on page 10 of this proxy statement).

Pursuant to the Audit Committee Charter, the Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2003 with our management and 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 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, 2003 audited by

- 6 -

PricewaterhouseCoopers LLP be included in our Annual Report on Securities and Exchange Commission (the "SEC") Form 10-K.

The Board of Directors has determined that Thomas M. Wendel is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K.

The members of the Audit Committee are Messrs. Howe, Klein and Wendel. During 2003, Messrs. Howe, Klein and Wendel were the only members of the Audit Committee. The Audit Committee was established in 1998 and met seven times during 2003. It is anticipated that Mr. Klein, if elected to the Board of Directors by our stockholders, will continue to serve on the Audit Committee.

Compensation Committee

Our Compensation Committee, which is comprised of Messrs. Howe, Klein and Weissman, is responsible for the administration of all salary and incentive compensation plans for our officers and key employees, including bonuses. In addition, our Compensation Committee has the following principal duties:

- o annually reviewing and approving corporate goals and objectives relevant to CEO compensation;
- o determining the CEO's compensation;
- o reviewing and approving, or making recommendations to the Board with respect to, the compensation of our other executive officers;
- o overseeing an evaluation of our senior executives;
- o overseeing and administering our cash and equity incentive plans; and
- o reviewing and making recommendations to the Board with respect to Director compensation.

The Compensation Committee also administers our stock option plans, including the Incentive Plan, and establishes the terms and conditions of all stock options granted thereunder. The Compensation Committee will also administer our 2004 Employee Stock Purchase Plan if approved by the stockholders. During 2003, the Compensation Committee was comprised of Messrs. Howe and Klein. In March 2004, Mr. Weissman was appointed to serve on the

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

Compensation Committee. The Compensation Committee met one time during 2003.

Nominating and Corporate Governance Committee

In March 2004, our Board of Directors established a Nominating and Corporate Governance Committee. Its responsibilities include:

- o identifying individuals qualified to become Board members;
- o recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;
- o reviewing and making recommendations to the Board with respect to management succession planning;
- o developing and recommending to the Board corporate governance principles; and
- o overseeing an annual evaluation of the Board.

The members of the Nominating and Corporate Governance Committee are Messrs. Howe, Klein, Wendel and Weissman and Ms. Kontogouris.

- 7 -

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 our Board of Directors is currently composed of three members and acts under a written charter first adopted and approved on May 17, 2000. The members of the Audit Committee are independent directors, as defined in its charter and the rules of the NASDAQ Stock Market. The Audit Committee held seven meetings during 2003.

Management is responsible for the preparation of the Company's financial statements and for maintaining an adequate system of disclosure controls and procedures and internal control over financial reporting for that purpose. Our independent auditors are responsible for conducting an independent audit of our annual financial statements in accordance with generally accepted accounting principles and issuing a report on the results of their audit. The Audit Committee is responsible for providing independent, objective oversight of these processes.

The Audit Committee has reviewed the Company's audited financial statements for the fiscal year ended December 31, 2003 and has discussed these financial statements with management and our independent auditors. The Audit Committee has also received from, and discussed with, our independent auditors various communications that our independent auditors are required to provide to the Audit Committee, including the matters required to be discussed by Statement on Auditing Standards 61 (Communication with Audit Committees). SAS 61 requires our independent auditors to discuss with the Audit Committee, among other things, the following:

- methods used to account for significant unusual transactions;

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

- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- 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
- disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

Our 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 Cognizant. The Audit Committee also considered whether the independent auditors' provision of certain other non-audit related services to us 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 our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2003.

By the Audit Committee of the Board
of Directors of
Cognizant Technology Solutions
Corporation

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

- 8 -

INDEPENDENT AUDITORS FEES AND OTHER MATTERS

The following table summarizes the fees of PricewaterhouseCoopers LLP, our independent auditor, billed to us for each of the last two fiscal years for audit services and billed to us in each of the last two fiscal years for other services:

Fee Category	2003	2002
Audit Fees.....	\$ 565,500	\$720,000
Audit-Related Fees..	312,500	68,900
Tax Fees	145,500	161,100
All Other Fees.....	--	25,400
Total Fees.....	\$1,023,500	\$975,400

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

For 2003, \$866,600 of the total fees was billed as of December 31, 2003. For 2002, \$559,800 of the total fees billed was billed as of December 31, 2002.

Audit Fees

Audit fees consist of fees for the audit of our financial statements, the review of the interim financial statements included in our quarterly reports on Form 10-Q, services rendered in connection with SEC registration statements and other professional services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit and the review of our financial statements and which are not reported under "Audit Fees." These services relate to employee benefit audits, due diligence related acquisitions, accounting consultations and audits in connection with acquisitions, consultations related to internal control and the Sarbanes Oxley Act, attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

Tax Fees

Tax fees consist of fees for tax compliance, tax advice and tax planning services. Tax compliance services, which relate to preparation of original tax returns and VAT registrations, accounted for \$25,700 of the total tax fees paid for 2003 and \$28,200 of the total tax fees paid for 2002. Tax advice and tax planning services relate to preparation of transfer pricing studies and consultations on various domestic and international tax matters.

All Other Fees

There were no fees to report in this category for 2003. In 2002, the fees reported in this category consist of IT security reviews.

- 9 -

Audit Committee Pre-Approval Policy and Procedures

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent auditor. This policy generally provides that we will not engage our independent auditor to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent auditor during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee has also delegated to Thomas M. Wendel the authority

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

to approve any audit or non-audit services to be provided to us by our independent auditor. Any approval of services by a member of the Audit Committee pursuant to this delegated authority is reported on at the next meeting of the Audit Committee. During 2003, no services were provided to us by PricewaterhouseCoopers LLP or any other accounting firm other than in accordance with the pre-approval policies and procedures described above.

COMPENSATION OF DIRECTORS

Directors who are our employees or employees of our subsidiaries receive no cash remuneration for serving as Directors. All other non-employee Directors receive an annual retainer of \$20,000 for attendance at meetings of the Board of Directors (no additional fees are paid for attendance at non-committee meetings of the Board of Directors) and \$1,500 for attendance at each meeting of a committee of the Board of Directors or \$2,000 for attendance at each meeting of a committee of the Board of Directors if serving as the chairperson of such committee meeting. All Directors who are not our employees or employees of our subsidiaries are eligible to participate in our 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 of our Directors who is not our employee or an employee of one of our subsidiaries. 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 currently reserved for issuance under the Incentive Plan is 18,000,000. The purpose of the Incentive Plan is to (i) aid us in motivating certain employees, non-employee Directors and independent contractors to put forth maximum efforts toward the our growth, profitability and success; 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 our stockholders. Pursuant to the Incentive Plan, awards 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

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

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

- 10 -

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 us, 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 us or be substituted by a similar award under such entity's compensation plan.

During 2003, 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	Exercise Price Per Share (1)
Lakshmi Narayanan...	255,000	2/5/2003	\$20.23
Robert W. Howe.....	10,000	5/9/2003	\$18.43
John E. Klein.....	10,000	5/9/2003	\$18.43
Venetia Kontogouris.	10,000	5/9/2003	\$18.43
Robert E. Weissman..	10,000	5/9/2003	\$18.43
Thomas M. Wendel....	10,000	5/9/2003	\$18.43

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

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our Directors, Executive Officers and Stockholders who beneficially own more than 10% of any class of our equity securities 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 our equity securities with the SEC. All Reporting Persons are required by SEC

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

regulation to furnish us 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 our review of the copies of such forms received by us and upon written representations of the Reporting Persons received by us, we believe that there has been compliance with all Section 16(a) filing requirements applicable to such Reporting Persons.

Each of Robert Howe, Thomas Wendel, John Klein, Venetia Kontogouris and Robert Weissman failed to timely file a Form 4 with respect to the grant of stock options on May 9, 2003. These transactions were reported late on a Form 4 dated July 30, 2003 for Mr. Howe, and Forms 4 dated August 1, 2003, for Messrs. Wendel, Klein and Weissman, and Ms. Kontogouris. In addition, Wijeyaraj (Kumar) Mahadeva failed to timely file a Form 4 with respect to the exercise of an employee stock option on July 7, 2003. This transaction was reported on a Form 4 on July 14, 2003.

- 11 -

EXECUTIVE OFFICERS

The following table identifies our current executive officers:

Name ----	Age ---	Capacities in Which Served -----	In Current Position Since -----
Lakshmi Narayanan(1)....	51	President and Chief Executive Officer	2003
Francisco D'Souza(2)....	35	Chief Operating Officer	2003
Gordon Coburn(3).....	40	Executive Vice President, Chief Financial Officer, Treasurer and Secretary	2003
Ramakrishnan Chandrasekaran(4).....	47	Executive Vice President & Managing Director	2004

(1) Lakshmi Narayanan was elected Chief Executive Officer in December 2003. Mr. Narayanan continues to serve as our President, a position he has held since his election in March 1998. Mr. Narayanan joined our Indian subsidiary as Chief Technology Officer in 1994 and was elected President of such subsidiary on January 1, 1996. Prior to joining us, from 1975 to 1994, Mr. Narayanan was the regional head of Tata Consultancy Services, a large consulting and software services company located in India. Mr. Narayanan 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) Francisco D'Souza was elected Chief Operating Officer in December 2003. Prior to that, from November 1999 to December 2003, he served as our Senior Vice President, North American Operations and Business Development. From March 1998 to November 1999, he served as our Vice President, North American Operations and Business Development and as our Director-North American Operations and Business Development from June 1997 to March 1998. From January 1996 to June 1997, Mr. D'Souza was engaged as our consultant. From February 1995 to December 1995, Mr. D'Souza was employed as Product Manager at Pilot Software. Between 1992 and 1995, Mr. D'Souza held various

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

marketing, business development and technology management positions as a Management Associate at The Dun & Bradstreet Corporation. While working at The Dun & Bradstreet Corporation, Mr. D'Souza was part of the team that established the software development and maintenance business conducted by us. Mr. D'Souza holds a Bachelor of Business Administration degree from the University of East Asia and a Master of Business Administration degree from Carnegie-Mellon University.

- (3) Gordon Coburn was elected Executive Vice President in December 2003. Mr. Coburn continues to serve as our Chief Financial Officer, Treasurer and Secretary, positions he has held since March 1998. From November 1999 to December 2003, he served as our Senior Vice President. He previously was our Vice President from 1996 to November 1999. Mr. Coburn served as Senior Director - Group Finance & Operations for Cognizant Corporation from November 1996 to December 1997. From 1990 to October 1996, Mr. Coburn held key financial positions with The Dun & Bradstreet Corporation. Mr. Coburn holds a Bachelor of Arts degree from Wesleyan University and a Master of Business Administration degree from the Amos Tuck School at Dartmouth College.
- (4) Ramakrishnan Chandrasekaran was elected Executive Vice President and Managing Director in January 2004. Prior to that, from November 1999 to January 2004, he served as our Senior Vice President responsible for the independent software vendor relationships, key alliances, capacity growth, process initiatives, business development and offshore delivery. Mr. Chandrasekaran joined us as Assistant Vice President in December 1994, before getting promoted to Vice President in January 1997. Mr. Chandrasekaran has more than 20 years of experience working in the IT services industry. Prior to joining us, Mr. Chandrasekaran worked with Tata Consultancy Services. Mr. Chandrasekaran holds a Mechanical Engineering degree and Master of Business Administration degree from the Indian Institute of Management.

- 12 -

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

EXECUTIVE COMPENSATION

SUMMARY OF COMPENSATION IN 2001, 2002 AND 2003

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 our Chief Executive Officer at any time during 2003 and each other of our executive officers whose aggregate cash compensation exceeded \$100,000 (collectively, the "Named Executives") during the years ended December 31, 2001, 2002 and 2003.

SUMMARY COMPENSATION TABLE

Long-Term

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

Name and Principal Position (a)	Year (b)	Annual Compensation			Compensation Awards		
		Salary (\$) (c)	Bonus (2) (\$) (d)	Other Annual Compensation (3) (\$) (e)	Securities Underlying Options (#) (g)	All Other Compensation (\$) (i)	

Wijeyaraj (Kumar)							
Mahadeva (1) (4).....	2003	409,514	--		1,020,000	63,918 (11)	
Chairman of the Board	2002	363,000	582,633	--	--	5,500 (5)	
and Chief Executive Officer	2001	363,000	241,129	--	975,000	5,250 (5)	
Lakshmi							
Narayanan (1) (4) (6).....	2003	135,696	182,160	--	255,000	3,454 (7)	
President and Chief Executive Officer	2002	115,720	155,369	--	--	3,102 (7)	
	2001	121,000	62,672	--	240,000	3,990 (8)	
Francisco D'Souza (1)....							
Chief Operating Officer	2003	264,500	317,400	--	240,000	6,000 (5)	
	2002	230,000	220,106	--	--	5,500 (5)	
	2001	230,000	91,093	--	180,000	5,250 (5)	
Gordon Coburn (1).....							
Executive Vice President, Chief Financial Officer, Treasurer and Secretary	2003	237,507	283,866	--	195,000	49,249 (12)	
	2002	205,700	220,106	--	--	5,500 (5)	
	2001	205,700	91,093	--	180,000	5,250 (5)	
Ramakrishnan							
Chandrasekaran (9).....	2003	56,422	75,000	--	--	2,913 (10)	
Executive Vice President & Managing Director	2002	50,230	47,698	--	60,000	3,830 (10)	
	2001	42,516	51,842	--	--	3,784 (10)	

- (1) Such Named Executive has entered into a Severance and Noncompetition Agreement with us. 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) On December 19, 2003, our founder, Chairman and Chief Executive Officer, Wijeyaraj (Kumar) Mahadeva, retired as a director and officer of Cognizant, and Lakshmi Narayanan was named Chief Executive Officer.
- (5) Represents a 401(k) plan matching contribution.

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

- (6) We employ Mr. Narayanan in India, and as such, compensation amounts were paid in Indian Rupees. Such amounts were converted to U.S. dollars for the periods presented.
- (7) Represents an Indian Provident Fund matching contribution.
- (8) Consists of Indian Provident Fund matching contribution of \$2,962 and interest savings of \$1,028 on a loan made to Mr. Narayanan by us in October 1997 for the purchase of a residence, which bore interest at 2% per annum. The loan was secured by the residence, and principal and interest on such loan were payable over a ten year period. Mr. Narayanan repaid such loan in April 2001.
- (9) Ramakrishnan Chandrasekaran was elected Executive Vice President and Managing Director in January 2004. We employ Mr. Chandrasekaran in India, and as such, compensation amounts were paid in Indian Rupees. Such amounts were converted to U.S. dollars for the periods presented.
- (10) Consists of Indian Provident matching fund contributions of \$2,253, \$2,240 and \$2,076 in 2003, 2002 and 2001, respectively, and interest savings of \$660, \$1,590 and \$1,708 in 2003, 2002 and 2001, respectively, on a loan made to Mr. Chandrasekaran by us in August 1995, which bore interest at 2% per annum. Mr. Chandrasekaran repaid such loan in July 2003. See "Transactions with Other Affiliates."
- (11) Includes (i) a 401(k) plan matching contribution in the amount of \$6,000, and (ii) a contribution to a non-qualified deferred compensation account in the amount of \$57,918 earned by the Named Executive during 2003 and payable by Cognizant during 2004.
- (12) Includes (i) a 401(k) plan matching contribution in the amount of \$6,000, and (ii) a contribution to a non-qualified deferred compensation account in the amount of \$43,249 earned by the Named Executive during 2003 and payable by Cognizant during 2004.

OPTION GRANTS IN 2003

The following table sets forth information concerning individual grants of stock options during 2003 by us to each of the Named Executives.

OPTION GRANTS IN LAST FISCAL YEAR

Individual Grants						
Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/SH) (1)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
(a)	(b)	(c)	(d)	(e)	5% (\$)	10% (\$)
					(f)	(g)

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

Wijeyaraj (Kumar)						
Mahadeva.....	1,020,000	23.1%	\$20.23	2/5/2013	\$12,976,990	\$32,886,240
Lakshmi Narayanan..	255,000	5.8%	\$20.23	2/5/2013	\$3,244,250	\$8,221,560
Francisco D'Souza..	240,000	5.4%	\$20.23	2/5/2013	\$3,053,410	\$7,737,940
Gordon Coburn.....	195,000	4.4%	\$20.23	2/5/2013	\$2,480,895	\$6,287,075
Ramakrishnan						
Chandrasekaran...	--	--	--	--	--	--

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

- 14 -

AGGREGATED OPTION EXERCISES IN 2003 AND YEAR-END OPTION VALUES

The following table sets forth information concerning each exercise of options during 2003 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 (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable (d)	Value of Unexercised In-the-Money Options at Fiscal Year-End (\$) Exercisable/ Unexercisable (e) (2)
(a)	(b)	(c)	(d)	(e)
Wijeyaraj (Kumar)				
Mahadeva.....	1,010,078	26,590,415	927,172/1,605,000	36,439,523/47,084,475
Lakshmi Narayanan..	45,000	1,370,057	499,500/399,000	20,811,914/11,689,710
Francisco D'Souza..	152,160	3,117,293	60,540/348,000	2,322,596/10,006,020
Gordon Coburn.....	136,590	2,989,798	-- /303,000	-- /8,862,570
Ramakrishnan				
Chandrasekaran..	34,250	502,047	60,250/56,250	2,571,816/1,813,069

(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 \$45.64, less the exercise price for such shares.

- 15 -

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

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 with respect to the shares of our Class A Common Stock that may be issued under our 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(1)
Equity compensation plans that have been approved by security holders	12,471,665	\$14.79	3,194,017 (2)
Equity compensation plans not approved by security holders	--	--	--
Total	12,471,665	\$14.79	3,194,017 (2)

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

(2) Includes 727,978 shares of Class A Common Stock issuable under the Incentive Plan, however, does not include (i) the additional 1,000,000 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, or (ii) the additional 1,500,000 shares that would be available if the proposal to adopt our 2004 Employee Stock Purchase Plan is approved at the Meeting. This number also includes 57,000 shares of Class A Common Stock available for future issuances pursuant to the Director Plan, 380,790 shares of Class A Common Stock available for future issuances pursuant to the Key Employees' Stock Option Plan and 2,028,249 shares of Class A Common Stock issuable under the 1999 Employee Stock Purchase Plan. The 1999 Employee Stock Purchase Plan expired pursuant to its terms on December 31, 2003.

SEVERANCE AND NONCOMPETITION AGREEMENTS

We have entered into a Severance and Noncompetition Agreement (collectively, the "Severance and Noncompetition Agreements") with each of the Named Executives, except for Ramakrishnan Chandrasekaran. 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 not to solicit any of our employees to leave our employ within the one-year period following termination of employment. Finally, such agreements include customary proprietary rights

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

assignment and confidentiality provisions.

RETIREMENT OF CHIEF EXECUTIVE OFFICER

On December 19, 2003, our founder, Chairman and Chief Executive Officer, Wijayaraj (Kumar) Mahadeva, retired as a director and officer of Cognizant. In connection with Mr. Mahadeva's retirement, on December 19, 2003, we entered into an agreement and general release of all claims with Mr. Mahadeva.

- 16 -

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Messrs. Howe, Klein and Weissman. During 2003, the Compensation Committee was comprised of Messrs. Howe and Klein. In March 2004, Mr. Weissman was appointed to serve on the Compensation Committee. Messrs. Howe, Klein and Weissman have not served as either one of our officers or employees or an officer or employee of one of our subsidiaries at any time. There are no, and during 2003 there were no, Compensation Committee Interlocks.

In 2003, we granted options to purchase shares of our Class A Common Stock to each of Mr. Howe, Mr. Klein and Mr. Weissman. See "Election of Directors - Compensation of Directors."

- 17 -

PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on our Class A Common Stock with the cumulative total return on the S&P MidCap 400 Index, S&P SmallCap 600 Index, a Peer Group Index, Current (capitalization weighted) and a Peer Group Index, Historical (capitalization weighted) for the period beginning January 1, 1999 and ending on the last day of our last completed fiscal year. The stock performance shown on the graph below is not indicative of future price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN(1) (2)

Among Cognizant, the S&P MidCap 400 Index, the S&P SmallCap 600 Index
And a Current and Historical Peer Group Index(3)
(Capitalization Weighted)

[GRAPHIC]

	1/1/99	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Cognizant Technology Solutions Corporation.....	\$100.00	\$359.88	\$239.09	\$269.83	\$475.59	\$901.53

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

S&P MidCap 400 Index.....	\$100.00	\$114.72	\$134.81	\$133.99	\$114.54	\$155.34
S&P SmallCap 600 Index.....	\$100.00	\$112.40	\$125.67	\$133.88	\$114.30	\$158.63
Peer Group Index, Current (Capitalization Weighted)...	\$100.00	\$162.91	\$ 68.66	\$ 50.98	\$ 48.91	\$ 74.90
Peer Group Index, Historical (Capitalization Weighted)...	\$100.00	\$162.91	\$ 68.66	\$ 51.37	\$ 50.70	\$ 80.33

- (1) Graph assumes \$100 invested on January 1, 1999 in our Class A Common Stock, the S&P MidCap 400 Index, the S&P SmallCap 600 Index, the Peer Group Index, Current (capitalization weighted) and the Peer Group Index, Historical (capitalization weighted).
- (2) Cumulative total return assumes reinvestment of dividends.
- (3) We have constructed a Peer Group Index of other information technology consulting firms consisting of Computer Horizons Corp., Computer Task Group, Inc., Covansys Corporation, Diamond Cluster International, Inc., iGate Corp., Infosys Technologies Ltd., Keane, Inc. Sapient Corp., Satyam Computer

- 18 -

Services Ltd, Syntel, Inc. and Wipro Ltd. We believe that these companies most closely resemble our business mix and that their performance is representative of the industry. Our current Peer Group Index does not consist of the same information technology consulting firms as in the prior year. Our Peer Group from the prior year consists of Computer Horizons Corp., Computer Task Group, Inc., Covansys Corporation, Diamond Cluster International, Inc., iGate Corp., Infosys Technologies Ltd., Keane, Inc. Sapient Corp., Satyam Computer Services Ltd, Syntel, Inc. and Tanning Technology Corp. (no longer publicly traded, and, accordingly, not included in Peer Group Index, Historical reflected in chart).

- 19 -

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has furnished the following report:

Our executive compensation policy is designed to attract and retain highly qualified individuals for our 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 our executive officers 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 our stock option plans.

Our executive officer compensation program is comprised of base salary, discretionary annual cash bonuses, stock options and various other benefits,

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

including health insurance and a 401(k) Plan, which are generally available to all of our employees.

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 our operational and financial results 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 our 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 our business, our position as compared to our peers in the industry, and the specific challenges faced by us during the year, such as changes in the market for information technology 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 our 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 our best interests and the best interest of our stockholders, after taking into consideration changing business conditions and the performance of our employees.

By the Compensation Committee of
the Board of Directors of Cognizant
Technology Solutions Corporation

Robert W. Howe
John E. Klein
Robert E. Weissman

- 20 -

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

CLASS A COMMON STOCK

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

There are, as of March 31, 2004, approximately 289 holders of record and 20,799 beneficial holders of our Class A Common Stock. The following table sets forth certain information, as of March 31, 2004, with respect to holdings of each class of our Class A Common Stock by (i) each person known by us 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 our Directors (which includes all nominees), (iii) each of our Named Executives, and (iv) all Directors and executive officers as a group. This information is based upon information furnished to us 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 our address.

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership(1) -----	Percent of Class(2) -----
(i) Certain Beneficial Owners:		
FMR Corp.(3).....	9,577,076	14.8%
Maverick Capital Management Ltd.(4)...	3,418,921	5.3%
(ii) Directors (which includes all nominees) and Named Executives:		
Wijayaraj Mahadeva(5).....	1,572,832	2.4%
Lakshmi Narayanan(6).....	635,250	*
Francisco D'Souza(7).....	202,611	*
Gordon Coburn(8).....	105,662	*
Ramakrishnan Chandrasekaran(9).....	86,500	*
Robert W. Howe(10).....	19,200	*
John E. Klein(11).....	137,800	*
Venetia Kontogouris(12).....	150,500	*
Robert E. Weissman(13).....	119,222	*
Thomas M. Wendel(14).....	5,000	*
(iii) All Directors and executive officers as a group (10 persons)(15).....	3,034,577	4.5%

* 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 share 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 64,648,961 shares of Class A Common Stock outstanding on March 31, 2004, plus any presently exercisable stock options held by each such holder, and options which will become exercisable within 60 days after March 31, 2004.
- (3) As disclosed on a Schedule 13G filed with the Securities and Exchange Commission on February 17, 2004, assuming no changes in beneficial ownership since such filing. According to such Schedule 13G, FMR Corp., may be deemed to beneficially own 9,577,076 shares of Class A Common Stock as a result of acting as investment advisor to various investment companies. FMR Corp. reports that it has sole power to vote

or direct the vote of 232,278 shares and sole power to dispose or direct the disposition of 9,577,076 shares. Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 9,344,798 shares of our Class A Common Stock as a result of acting as investment advisor to various investment companies. The ownership of one investment company, Fidelity Growth Company Fund, amounts to 3,746,579 shares of our Class A Common Stock. Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the funds each have sole power to dispose of 9,344,798 shares owned by the funds.

- (4) As disclosed on a Schedule 13G filed with the Securities and Exchange Commission on February 17, 2004, assuming no changes in beneficial ownership since such filing. According to such Schedule 13G, Maverick Capital, Ltd., may be deemed to beneficially own 3,418,921 shares of Class A Common Stock through the investment discretion it exercises over its clients' accounts. Maverick Capital, Ltd. reports that it has sole power to vote or direct and dispose or direct the disposition of 3,418,921 shares of Class A Common Stock. Maverick Capital Management, LLC is the General Partner of Maverick Capital, Ltd. Mr. Lee S. Ainslie III is the manager of Maverick Capital Management, LLC and is granted sole investment discretion pursuant to Maverick Capital, LLC's Regulations.
- (5) Includes 98,160 shares of Class A Common Stock owned of record and 1,474,672 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 1,057,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (6) Represents 635,250 shares of Class A Common Stock underlying options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 263,250 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (7) Includes 28,071 shares of Class A Common Stock owned of record and 174,540 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 234,000 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (8) Includes 2,912 shares of Class A Common Stock owned of record and 102,750 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 200,250 shares of Class A Common Stock underlying options, which become exercisable over time after such period.
- (9) Includes 86,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 50,000 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (10) Includes 6,700 shares of Class A Common Stock owned of record and 12,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 12,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (11) Includes 95,300 shares of Class A Common Stock owned of record and 42,500 shares of Class A Common Stock subject to options which were exercisable

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

as of March 31, 2004 or sixty (60) days after such date. Excludes 12,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.

- (12) Includes 3,000 shares of Class A Common Stock owned of record and 147,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 12,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (13) Includes 61,722 shares of Class A Common Stock owned of record and 57,500 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date.

- 22 -

Excludes 12,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.

- (14) Includes 5,000 shares of Class A Common Stock subject to options which were exercisable as of March 31, 2004 or sixty (60) days after such date. Excludes 12,500 shares of Class A Common Stock underlying options which become exercisable over time after such period.
- (15) Includes an aggregate of 2,738,712 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, 2004 or within sixty (60) days after such date. Excludes 1,867,500 shares of Class A Common Stock underlying options granted to executive officers and Directors, which become exercisable over time after such period.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONAL HISTORY WITH IMS HEALTH AND ITS AFFILIATES

From November 30, 1996 through June 30, 1998, we were a subsidiary of Cognizant Corporation. In June 1998, Cognizant Corporation spun off (the "Spin-Off") from IMS Health. IMS Health consisted of all of Cognizant Corporation's businesses other than the business conducted by Nielsen Media Research. Therefore, all of our shares 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 our outstanding stock (representing all of our Class B common stock) and held 92.5% of the combined voting power of our common stock.

On January 30, 2003, we filed a tender offer in which IMS Health stockholders could exchange IMS Health shares held by them for our Class B common stock held by IMS Health.

On February 13, 2003 (the "Split-Off Date"), IMS Health distributed all of our Class B Common Stock that IMS Health owned (a total of 33,872,700 shares) in an exchange offer to its stockholders (the "Exchange Offer"). IMS Health distributed 0.927 shares of our Class B common stock to its stockholders for every one share of IMS Health's common stock tendered. There was no impact on the number of our total shares outstanding upon the completion of the Exchange Offer. Accordingly, as of February 13, 2003, IMS Health was no longer a related party since it no longer owned any equity interest or holds any of our voting

power.

In connection with the Exchange Offer, we were obligated to pay the costs associated with the Exchange Offer under the provisions of an Intercompany Agreement, dated May 15, 1998. Pursuant to the terms of such agreement, we agreed we would pay IMS Health's costs (other than underwriting discounts, commissions and certain other specified costs) necessary to facilitate a sale or spin-off of IMS Health's ownership interest in Cognizant. During 2003, we incurred direct and incremental costs of approximately \$2,000,000 resulting from external costs contractually incurred related to the Exchange Offer.

TRANSACTIONS WITH IMS HEALTH

In connection with the Exchange Offer, we amended and entered into certain agreements with IMS Health which are summarized below.

Master Services Agreement. Pursuant to an amended and restated Master Services Agreement, we continue to provide software development and maintenance services to IMS Health and its subsidiaries on terms that are comparable to unrelated third parties. During the period January 1, 2003 through the Split-Off Date, such services resulted in related-party revenue to us in the amount of \$2.6 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 Services Agreement. Pursuant to the Intercompany Services Agreement, IMS Health provides us with certain administrative services, including payables processing and certain other administrative services. Total costs in connection with such administrative services provided by IMS Health during the period January 1, 2003 through the Split-Off Date were approximately \$28,000.

- 23 -

Distribution Agreement. We 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 our Board of Directors, which was comprised of our independent Directors. The Distribution Agreement sets forth certain rights and obligations of IMS Health and us 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 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 us 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 our businesses 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

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

and us, IMS Health has agreed to indemnify and reimburse us 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 provided that we and IMS Health 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, we must indemnify 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 we 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.

During 2003, we provided services to the Trizetto Group, Inc. ("Trizetto") pursuant to a strategic relationship that includes helping Trizetto's healthcare customers integrate Trizetto's products with their existing information systems and, within Trizetto, supporting further development of these software applications. As of the Split-Off Date, IMS Health owned approximately 26.4% of the outstanding common stock of Trizetto. From January 1, 2003 through the Split-Off Date, we recorded revenues from Trizetto of approximately \$831,000. In addition, from January 1, 2003 through the Split-Off Date, we recorded expenses related to Trizetto commissions of approximately \$9,000. David M. Thomas, a member of our Board of Directors through the Split-Off Date, is also a member of the Board of Directors of Trizetto.

Certain of our employees, 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 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. Our cost for these plans is included in the allocation of expense from IMS Health for employee benefits plans.

TRANSACTIONS WITH OTHER AFFILIATES

In August 1995, we loaned \$57,200 to Mr. Chandrasekaran 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. Chandrasekaran repaid the loan in full in July 2003.

On December 19, 2003, our founder, Chairman and Chief Executive Officer, Wijayaraj (Kumar) Mahadeva, retired as a Director and officer of Cognizant. In connection with Mr. Mahadeva's retirement, on December 19, 2003, we entered into an agreement and general release of all claims with Mr. Mahadeva.

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

PROPOSED AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION

Our Restated Certificate of Incorporation (the "Certificate") presently provides that we are authorized to issue two classes of common stock and one class of preferred stock consisting of 100,000,000 shares of Class A Common Stock, \$0.01 par value per share, 25,000,000 shares of Class B Common Stock, \$0.01 par value per share, and 15,000,000 shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock"). In April 2004, our Board of Directors authorized an amendment to the Certificate, subject to stockholder approval, to (i) increase the authorized number of shares of Class A Common Stock to 325,000,000 shares, and (ii) eliminate the authorization of Class B Common Stock and delete all references thereto. The stockholders are being asked to approve such amendment to the Certificate. The proposed increase in the authorized number of shares will permit a proposed two-for-one stock split of our capital stock. In April 2004, our Board of Directors declared a two-for-one stock split on our Class A Common Stock in the form of a stock dividend, subject to stockholder approval of this proposal to increase the authorized shares of Class A Common Stock. In addition, the remaining shares would give the Board the authority to issue additional shares of Class A Common Stock without requiring future stockholder approval of such issuances except as may be required by applicable law. A copy of the proposed amendment to the Certificate is attached hereto as Appendix B.

We currently have authorized 100,000,000 shares of Class A Common Stock. As of April 12, 2004, 64,695,174 shares of Class A Common Stock were issued and outstanding; 12,460,269 shares were reserved for future grant or for issuance upon the exercise of outstanding options under the Incentive Plan; 723,558 shares were reserved for future grant or for issuance upon the exercise of outstanding options under the Key Employees Stock Option Plan; and 96,000 shares were reserved for future grant or for issuance upon the exercise of outstanding options under the Non-Employee Directors' Stock Option Plan. Accordingly, as of April 12, 2004, and without giving effect to the proposed adoption of the amendment to the 1999 Incentive Compensation Plan and adoption of our 2004 Employee Stock Purchase Plan described in this Proxy Statement, we had only 22,024,999 shares of authorized but unreserved and unissued Class A Common Stock.

The principal purpose of the proposed amendment to the Certificate relating to the authorization of additional shares of Class A Common Stock is to effect the proposed stock split and to ensure that a sufficient number of shares of Class A Common Stock will be available in the event the Board of Directors determines that it is necessary or appropriate to issue additional shares of Class A Common Stock, including, for example, to raise additional capital through the sale of securities, to grant options or other stock incentives to our employees, to acquire another company or its business or assets, to seek to establish a strategic relationship with a corporate partner or to permit a future stock dividend or stock split. Except for the proposed stock split and our commitment under our existing and proposed equity compensation plans, our Board of Directors has no other present agreement or arrangement to issue any additional shares. If the amendment is approved by the stockholders, our Board of Directors does not intend to solicit further stockholder approval prior to the issuance of any additional shares of Class A Common Stock, except as may be required by applicable law.

The principal purpose of proposed amendment to the Certificate relating to the elimination of the authorization of our Class B Common Stock and deletion of all references to Class B Common Stock in the Certificate is to remove the super-voting provisions of the Class B Common Stock. The Class B Common Stock originally was authorized as a result of our historical relationship with IMS

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

Health. We do not have any intention of issuing any shares of our Class B Common Stock.

The increase in the authorized number of shares of Class A Common Stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of Cognizant without further action by our stockholders. Shares of authorized and unissued Class A Common Stock could (within the limits imposed by applicable law) be issued in one or more transactions that would make a change in control of us more difficult, and therefore less likely. Any such issuance of additional stock could have the effect of diluting the earnings per share and book value per share of outstanding shares of Class A Common Stock, and such additional shares could be used to dilute the stock ownership or voting rights of persons seeking to obtain control of Cognizant. The holders of Class A Common Stock have no preemptive rights.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION.

- 25 -

PROPOSED AMENDMENT TO THE 1999 INCENTIVE COMPENSATION PLAN

The Incentive Plan was adopted by Board of Directors on April 13, 1999 and approved by our stockholders 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. A copy of the Incentive Plan, as amended, is attached hereto as Appendix C.

GENERAL

The purpose of the Incentive Plan is to:

- aid us in motivating certain employees, non-employee Directors and independent contractors to put forth maximum efforts toward our growth, profitability and success; and
- 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 our stockholders.

Pursuant to the Incentive Plan, all of our employees, all of our non-employee Directors and all of our independent contractors 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:

- increase the total amount of the Class A Common Stock allocated to the Incentive Plan (except for permitted capital adjustments);
- increase the maximum amount of the Class A Common Stock with respect

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

to all awards measured in Class A Common Stock that may be granted to any individual under the Incentive Plan;

- increase the maximum dollar amount that may be paid with respect to all awards measured in cash; or
- 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. If stockholder approval of this proposal to amend the Incentive Plan is obtained, further stockholder approval will be necessary if any future amendment is considered material in the reasonable judgment of the Compensation Committee.

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:

- 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.

- 26 -

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. If stockholder approval of this proposal to amend the Incentive Plan is obtained, NQSOs may no longer be granted at an exercise price less than fair market of the underlying shares 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.

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

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 us 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 us 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 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 us under Section

- 27 -

162(m) of the Code. The Compensation Committee may use the following performance measures (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

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

price of the Class A Common Stock or any of our other publicly-traded securities; 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 our stockholders. Additionally, the material terms of performance goals must be disclosed and reapproved by our stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which our stockholders previously approved such performance goals.

In the event a grantee's employment 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:

- 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;
- 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
- 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.

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 Cognizant, 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 us or be substituted by a similar award under such entity's compensation plan.

AMENDMENTS TO THE INCENTIVE PLAN

If stockholder approval of this proposal to amend the Incentive Plan is obtained, (i) the maximum number of shares of Class A Common Stock of Cognizant reserved for issuance under the Incentive Plan will increase from 18,000,000 to

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

19,000,000 shares and we will reserve an additional 1,000,000 shares of Class A Common Stock for issuance upon the exercise of stock options or for the issuance of other awards granted under the Incentive Plan, (ii) the Compensation Committee may not, without the consent of our stockholders, reprice any outstanding award granted under the Incentive Plan, (iii) subject to certain exceptions, any award granted under the Incentive Plan other than a stock option that is not subject to performance criteria, must vest over a period of at least three years in equal installments over such three year period, (iv) subject to certain exceptions, any award granted under the Incentive Plan, other than a stock option that is subject to performance criteria, must vest over a period of at least 12 months in

- 28 -

equal installments, and (v) all amendments to the Incentive Plan considered material in the reasonable judgment of the Compensation Committee shall be subject to stockholder approval.

FEDERAL TAX ASPECTS OF THE INCENTIVE PLAN

We believe 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 us. The optionee will have no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and we 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; we 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 consequences to us in connection with a disposition of shares acquired under an option except that we 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; we 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; we 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 April 12, 2004, options to purchase 16,700,497 shares of Class A 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 \$14.08 per share.

The following table sets forth certain information as of April 12, 2004

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

with respect to options granted (net of forfeitures) 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 April 12, 2004(1) -----	Weighted Average Exercise Price(1) -----
Wijeyaraj (Kumar) Mahadeva.....	2,348,250	\$ 7.39
Lakshmi Narayanan.....	742,500	\$11.36
Francisco D'Souza.....	638,250	\$11.67
Gordon Coburn.....	598,500	\$10.96
Ramakrishnan Chandrasekaran.....	173,000	\$15.88
Robert W. Howe.....	55,000	\$14.91
John Klein.....	55,000	\$14.91
Venetia Kontogouris.....	121,000	\$19.67
Robert E. Weissman	70,000	\$15.04
Thomas Wendel.....	70,000	\$15.04

- 29 -

Name ----	Options Granted through April 12, 2004(1) -----	Weighted Average Exercise Price(1) -----
All current executive officers as a group (4 persons).....	2,152,250	\$11.70
All current Directors who are not executive officers as a group (5 persons).....	371,000	\$16.51
All employees, including all current officers who are not executive officers as a group (1,842 persons)....	13,946,247	\$14.79

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

As of April 12, 2004, the market value of the Class A Common Stock underlying the Incentive Plan was \$46.95 per share.

PROPOSED AMENDMENT TO THE 1999 INCENTIVE COMPENSATION PLAN

Stockholders are being asked to consider and vote upon a proposed amendment to the Incentive Plan to (i) increase the maximum number of shares of Class A Common Stock of the Corporation reserved for issuance from 18,000,000 to 19,000,000 shares and to reserve an additional 1,000,000 shares of Class A Common Stock for issuance upon the exercise of stock options or for the issuance of other awards granted under the Incentive Plan, (ii) provide that repricing of stock options may not occur without stockholder approval, (iii) provide for minimum restriction periods for stock based awards, other than stock options, (iv) provide that stock options may not be granted below fair market value, and (v) provide that all material amendments to the Incentive Plan shall be subject to stockholder approval.

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

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 our stockholders' interests.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE FOREGOING AMENDMENT TO THE INCENTIVE PLAN.

- 30 -

PROPOSED APPROVAL OF 2004 EMPLOYEE STOCK PURCHASE PLAN

Our Board of Directors has adopted, and is submitting to stockholders for approval, our 2004 Employee Stock Purchase Plan (the "2004 Employee Stock Purchase Plan"). A copy of our 2004 Employee Stock Purchase Plan is attached hereto as Appendix D.

Our 1999 Employee Stock Purchase Plan (the "1999 ESPP") expired pursuant to its terms on December 31, 2003. An aggregate of 2,400,000 shares of Class A Common Stock were authorize