

ATTESTATION FORM ATTACHMENT J

Respondent Name:

Conduent State Healthcare, LLC

1.0 Mandatory Submissions and Requirements: Disagreement with these items may result in the response being disqualified.

Attachment J: Attestation Form	<input checked="" type="checkbox"/> Have completed in its entirety and submitted
Section 1.10 Pricing	<input checked="" type="checkbox"/> Have read and meet this requirement
Section 3.2 Executive Summary	<input checked="" type="checkbox"/> Have completed, signed, and submitted
Section 3.2 Attachment A: Minority and Women Business Enterprise form, IDOA provided certification letter and Subcontractor's signed letter on company letterhead.	<input checked="" type="checkbox"/> Have completed, signed, and submitted or <input type="checkbox"/> Opting not to submit
Section 3.2 Attachment C: Indiana Economic Impact	<input checked="" type="checkbox"/> Have read, completed, and submitted
Section 3.2 Attachment D: Cost Proposal (Excel Workbook)	<input checked="" type="checkbox"/> Have completed and submitted
Section 3.2 Attachment E: Business Proposal	<input checked="" type="checkbox"/> Have completed and submitted
Section 3.2 Attachment F: Technical Proposal	<input checked="" type="checkbox"/> Have completed and submitted

2.0 Confirm mutual understanding and submission.

1.15 and 2.1 Confidential Information: The complete list of Confidential and Redacted files is specified in section 4.0 of this attachment.	<input checked="" type="checkbox"/> Have read, and submitted or <input type="checkbox"/> Have read, and does not apply to response
2.2.1 Ability and Desire to Supply the Required Products or Services	<input checked="" type="checkbox"/> Have read, and agree
2.3.6 Contract Terms/Clauses	<input type="checkbox"/> Confirm Respondent's Legal Representation has read and accepts Sample Contract language. or <input checked="" type="checkbox"/> Confirm Respondent's Legal Representation has read, and submitted alternative language per Attachment E.
2.6.4. Subcontractors (Additional subcontractors/those not submitted in Attachment A)	<input checked="" type="checkbox"/> Have read, agreed, and listed subcontractors in 5.0 of this attachment and submitted documents or <input type="checkbox"/> Have read, and does not apply to response

3.0 Confidential / Redacted File: confirm submission if applicable

More rows may be inserted if necessary

Responses must include the following required information:

- List all documents or sections of documents, for which statutory exemption to APRA;
- Specify which statutory exception of APRA applies for each document or section of the document;
- Provide a description explaining how the statutory exception to the APRA applies to each document or section of the document; and
- Provide a separate redacted or confidential, whichever is applicable, version of the document. The file name should use the following format:
 - (insert rfp #) _ (insert Att letter) _CONFIDENTIAL
 - (insert rfp #) _ (insert Att letter) _REDACTED
- More rows may be inserted if necessary

Statement of Justification

Conduent's proposal includes competitive commercial and financial information that is deemed sensitive, proprietary, confidential and trade secret in nature. Disclosure of this information will subject Conduent to considerable competitive harm on current and future procurements with other bidders, marketplace competitors, and outside third parties. If a third-party makes a request for disclosure of any of the marked contents of this proposal, Conduent respectfully requests that we be immediately notified so that we will have an opportunity to help in protecting the trade secret contents from unauthorized disclosure. Set forth in Table 2.7.1-1 below are the sections of our proposal that we would request remain exempt from public disclosure and not be revealed or discussed with third parties:

2.7.1-1. Conduent Confidential Information

Filename	Document Section	Document Page #	Statutory exception reference	Rationale for application of the statute	Submitted
Figure 2.2-3. Our DFR Learning and Developmental Services Leadership Team.	2.2 Executive Summary	7	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on senior level employees and key employees. This section provides names, titles and/or other contact information for Conduent's core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Subcontractor Information	2.2 Executive Summary	8	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with	<input checked="" type="checkbox"/>

				Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors	
Software/Tools	2.2 Executive Summary	8	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Figure 2.2-4. Proven Training History	2.2 Executive Summary	9	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Personal Contact Information	2.2 Executive Summary	10	Indiana Code, §5-14-3-4(a)(4)	Contains names and contact information of specific Conduent client references. We consider this information to be a trade secret, confidential commercial information that should not be disclosed. These references are for contracts that our competitors have pursued in the past and/or may pursue in the future. Conduent routinely uses references in proposals and will like bid against our competitors in various other procurements in 2024. Our competitors could use this information to coax our clients to modify or withdraw their endorsements of Conduent. Such disclosure could result in direct loss of business, irreparable competitive harm, and unwarranted intrusion upon the privacy of our clients.	<input checked="" type="checkbox"/>
Figure 2.3-1. Corporate Organization Chart	Section 2.3.2, Respondent's Company Structure	5	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on senior level employees and key employees. This section provides names, titles and/or other contact information for Conduent's core team. Disclosing the information would assist competitors in	<input checked="" type="checkbox"/>

				identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	
Subcontractor Names	2.3.3 Respondent's Diversity, Equity, and Inclusion Information	12	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors	<input checked="" type="checkbox"/>
Contract Exceptions	2.3.6 Contract Terms/Clauses	16-19	Indiana Code, §5-14-3-4(a)(4)	Conduent considers this information to be a trade secret and confidential commercial information that we do not disclose to third parties. Conduent has analyzed the RFP from a risk standpoint pursuant to an internally developed and unique methodology. We believe that the inclusion of this information gives Conduent a significant competitive advantage. In the event a competitor obtains knowledge about Conduent's required modifications, they can and will underbid Conduent at every opportunity in future procurements	<input checked="" type="checkbox"/>
Personal Contact Information	Section 2.3.7, References	19	Indiana Code, §5-14-3-4(a)(4)	Contains names and contact information of specific Conduent client references. We consider this information to be a trade secret, confidential commercial information that should not be disclosed. These references are for contracts that our competitors have pursued in the past and/or may pursue in the future. Conduent routinely uses references in proposals and will like bid against our competitors in various other procurements in 2024. Our competitors could use this information to coax our clients to modify or withdraw their endorsements of Conduent. Such disclosure could result in direct loss of business, irreparable competitive harm, and unwarranted intrusion upon the privacy of our clients.	<input checked="" type="checkbox"/>
Personal Contact Information	2.3.9 Authorizing Document	20	Indiana Code, §5-14-3-4(a)(4)	Contains names and contact information of specific Conduent client references. We consider this information to be a trade secret, confidential commercial information that should not be disclosed. These references are for contracts that our competitors have pursued in the past and/or may pursue in the future. Conduent routinely uses references in proposals and will like bid against our competitors in various other procurements in 2024. Our competitors could use this information to coax our clients to modify or withdraw their	<input checked="" type="checkbox"/>

				endorsements of Conduent. Such disclosure could result in direct loss of business, irreparable competitive harm, and unwarranted intrusion upon the privacy of our clients.	
Subcontractor Names	Section 2.3.10, Diversity Subcontractor Agreements	22	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors	<input checked="" type="checkbox"/>
Subcontractor Information	Attachment A, Minority & Women's Business Enterprises RFP Subcontractor Commitment Form	All pages	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors.	<input checked="" type="checkbox"/>
Personal Contact Information	Section 2.3.12, General Information	23	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically contact information for our core team employees. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Personal Contact Information	Section 2.3.12(b), General Information	24	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically contact information for our core team employees. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Personal Contact Information	2.4 Technical Proposal , Section 1.0– Introduction	3	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically contact information for our core team employees. Disclosing the information	<input checked="" type="checkbox"/>

	(Overview/Executive Summary)			would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	
Software	2.4 Technical Proposal , Section 1.0– Introduction (Overview/ Executive Summary)	4	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Software	2.4 Technical Proposal, Section 2.0, Background	11	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Client Project Details	2.4 Technical Proposal , Section 2.0, Background	8 - 11	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Figure 2.4-2. Our Training Tools Approach Delivers	2.4 Technical Proposal , Section 2.0, Background	12	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program.	<input checked="" type="checkbox"/>

Improved Service				This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	
Client Project Details	2.4 Technical Proposal , Section 2.0, Background	13-16	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Table 2.4-6. Conduent Corrective Action Plans (CAP)	2.4 Technical Proposal , Section 2.0, Background	17	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically information regarding Conduent's performance on current and past government contracts. Our competitors could use this information to their advantage when competing against Conduent on future procurements and could result our direct loss of business and irreparable competitive harm.	<input checked="" type="checkbox"/>
Personnel Names	2.4 Technical Proposal , Section 2.0, Background	18-20	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically data on core team employees. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Figure 2.4-3. Overall Structure of DFR Services Project	2.4 Technical Proposal , Section 2.0, Background	21	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically data on core team employees. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>

Subcontractor	2.4 Technical Proposal, Section 2.0, Background		Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors.	<input checked="" type="checkbox"/>
Table 2.4-9., Vital Positions and Staffing Compliance Table	2.4 Technical Proposal , Section 4.0, Vital Positions and Staffing	37 - 38	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on senior level employees and key employees. This section provides names, phone numbers, and/or contact information for Conduent's core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Section 4.0.8.b, Staffing Plan – Management, Structure and Subcontractors	2.4 Technical Proposal , Section 4.0, Vital Positions and Staffing	39 - 42	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors.	<input checked="" type="checkbox"/>
Subcontractor	2.4 Technical Proposal , Section 4.0, Vital Positions and Staffing	45	Indiana Code, §5-14-3-4(a)(4)	Conduent is proposing unique combinations of its services, coupled with its partners skills and technology that contribute to the underlying proprietary program. Conduent has identified aspects of each Subcontractor that align with Conduent's trade secret best practices and program processes and identified the Subcontractors in Conduent's trade secret roles. The identity, materials, experiences, previous roles, and skills of those people can assist in identifying our Subcontractors.	<input checked="" type="checkbox"/>
Figure 2.4-15., Project Training Organization Toward Success	2.4 Technical Proposal , Section 4.0, Vital Positions and Staffing	51	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on senior level employees and key employees. This section provides names, phone numbers, and/or contact information for Conduent's core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-	<input checked="" type="checkbox"/>

				trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	
Key Personnel Resumes and Bios	2.4 Technical Proposal , Section 4.0, Vital Positions and Staffing	52-71	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on key employees. This section provides names, phone numbers, and/or other contact information for Conduent's core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent's recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Figure 2.4-17, Quality Assurance Organization Chart	2.4 Technical Proposal , Section 6.0, Quality Assurance Standards	78	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Software	2.4 Technical Proposal , Section 7.0, Performance Metrics Validation	84-87	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including methods, processes, responsibilities, and procedures related to activities for training delivery and transition. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Training Monthly Performance Report	2.4 Technical Proposal , Section 8.0, Reporting Requirements	88-89	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own	<input checked="" type="checkbox"/>

				proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	
Software	2.4 Technical Proposal , Section 8.0, Reporting Requirements	91	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent’s own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Software	2.4 Technical Proposal , Section 2.4.11.a, Contractor Systems	105 – 107, 112-113	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent’s own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Personal Contact Information	2.4 Technical Proposal , Section 2.4.11.a, Contractor Systems	108, 113	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on key employees. This section provides names, phone numbers, and/or other contact information for Conduent’s core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent-trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent’s recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Potential Breach Communication Efforts Sections	2.4 Technical Proposal , Section 13.0, System and Infrastructure Requirements	121	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to our security practices. These approaches have been developed within Conduent and are disclosed solely	<input checked="" type="checkbox"/>

				on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	
Personal Contact Information	2.4 Technical Proposal , Section 13.0, System and Infrastructure Requirements	122	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information, the release of which will cause harm to our competitive position, specifically biographical data on key employees. This section provides names, phone numbers, and/or other contact information for Conduent’s core team. Disclosing the information would assist competitors in identifying, and seeking to and hire, Conduent–trained, experienced staff members. The loss of these trained personnel would greatly increase Conduent’s recruitment and training costs. Such added costs would in turn create a significant and irreparable competitive disadvantage that would make it much more difficult for Conduent to compete successfully in future procurements.	<input checked="" type="checkbox"/>
Table 2-4., State/FSSA Role in Transition Activities	2.4 Technical Proposal , Section 14.0, Initial Transition Requirements	129	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including methods, processes, responsibilities, and procedures related to activities for training delivery and transition. This material contains plans, descriptions, and other technical information that reflects Conduent’s own proprietary methods and strategies for structuring the work effort and best practices. These approaches have been developed within Conduent and are disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Systems and Operations Readiness Assessment-Tools	2.4 Technical Proposal , Section 14.0, Initial Transition Requirements	130	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including methods, processes, responsibilities, and procedures related to activities for training delivery and transition. This material contains plans, descriptions, and other technical information that reflects Conduent’s own proprietary methods and strategies for structuring the work effort and best practices. These approaches have been developed within Conduent and are disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Subcontractor Names, Dollar Amounts, FTEs	Attachment c- Economic Impact Form	All Pages	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret cost information, including pricing, cost assumptions, and other financial information that reflects Conduent’s methods and strategies for structuring the work effort. This information has been developed within Conduent and is disclosed solely on a “need-to-know” basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Sample Business Continuity Plan- Disaster	Attachment J	All Pages	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to	<input checked="" type="checkbox"/>

Recovery Outline				implementing, sustaining, and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	
Quality Metric Management Plan (QMMP)	Attachment J	All Pages	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret information in specific detail, the release of which will cause harm to our competitive position, including design concepts, methods, and procedures related to implementing and improving the Training program. This material contains plans, descriptions, and other technical information that reflects Conduent's own proprietary methods and strategies for structuring the work effort, implementation approach and best practices. These approaches have been developed within Conduent and are disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>
Attachment D-Cost Proposal	Cost & Assumptions	All Pages	Indiana Code, §5-14-3-4(a)(4)	Contains confidential, trade secret cost information, including pricing, cost assumptions, and other financial information that reflects Conduent's methods and strategies for structuring the work effort. This information has been developed within Conduent and is disclosed solely on a "need-to-know" basis and/or in accordance with an executed Non-Disclosure Agreement with third parties.	<input checked="" type="checkbox"/>

4.0 Subcontractors per RFP 2.6.4 (additional subcontractors/those not submitted in Attachment A/Attachment A1)

More rows may be inserted if necessary

Subcontractor Name	Function to be performed	Document Submitted
Marion All-Star	Quality assurance and training staffing	<input checked="" type="checkbox"/> Executed contract or <input type="checkbox"/> Letter of Agreement

5.0 Respondent additional attachments (OPTIONAL)

More rows may be inserted if necessary

Filename	RFP Attachment Reference
5.1 Certificate of Authority_Conduent State Healthcare-Good Standing	2.3.2 Respondent's Company Structure (Pg. 3, 2 nd Row in Table)
5.2 Conduent-2022-Annual-Report	2 .3.4 Company Financial Information (Pg. 14, 4 th Paragraph)
5.3 Conduent-2021-Annual-Report	2 .3.4 Company Financial Information (Pg. 14, 4 th Paragraph)
5.4 Certificate of Assistant Secretary_Cade	2 .3.9 Authorizing Document (Pg. 21, 2 nd Paragraph)
5.5 Sample BCP_DRP Outline	2.3.12 General Information (Pg. 24, 1 st Paragraph)
5.6 Marion All-Star_Subcontractor	2.3.10 Diversity Subcontractor Agreements (Pg. 22, 6 th Paragraph)

5. Respondent Additional Attachments

In accordance with the RFP requirements, we have included the following supporting documents as part of our proposal response.

Table 5-1. Conduent Additional Proposal Attachments

Proposal Section #	Filename	RFP Attachment Reference
5.1	Certificate of Authority Conduent State Healthcare-Good Standing	2.3.2 Respondent's Company Structure (Pg. 3, 2 nd Row in Table)
5.2	Conduent-2022-Annual-Report	2.3.4 Company Financial Information (Pg. 14, 4 th Paragraph)
5.3	Conduent-2021-Annual-Report	2.3.4 Company Financial Information (Pg. 14, 4 th Paragraph)
5.4	Certificate of Assistant Secretary Cade	2.3.9 Authorizing Document (Pg. 21, 2 nd Paragraph)
5.5	Sample BCP_DRP Outline	2.3.12 General Information (Pg. 24, 1 st Paragraph)
5.6	Marion All-Star_Subcontractor	2.3.10 Diversity Subcontractor Agreements (Pg. 22, 6 th Paragraph)

5.1 Certificate of Authority Conduent State Healthcare-Good Standing

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CONDUENT STATE HEALTHCARE, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF JANUARY, A.D. 2024.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "CONDUENT STATE HEALTHCARE, LLC" WAS FORMED ON THE TWENTY-FIFTH DAY OF MARCH, A.D. 1999.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.



A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed.

3021220 8300

SR# 20240099291

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202576432

Date: 01-11-24

5.2 Conduent-2022-Annual-Report

Focused on client success

Enhancing performance,
experience and value





Cliff Skelton

As a result of operational excellence, increased efficiencies and an award-winning culture, Conduent is poised to deepen its focus on client success and revenue growth while sustaining our foundation.

To my fellow shareholders,

In 2022, we completed Conduent's foundational work, continued our focus on client success and drove operational excellence to position the company for sustained growth.

Despite an unpredictable economic landscape, our turnaround approach has enabled us to consistently meet financial expectations while advancing operations and technology, enhancing client satisfaction, strengthening our culture and elevating our reputation in the marketplace. We achieved this by focusing on improving performance, experience and value for our clients and by systematically optimizing processes, improving associate engagement and driving quality and efficiency across the company.

As we move ahead, our goal remains to be the technology-led business process solutions partner of choice for businesses and governments globally. We will continue our focus across three critical dimensions: Growth, Efficiency, and Quality, with a strategy designed to deliver profitable growth, expanded operating margins, process efficiencies and client excellence.

Advanced operational and technology excellence

We completed the consolidation of our major data centers and continue to leverage a state-of-the-art command center facility and ITIL best practices, resulting in a more stable infrastructure where technology uptime is now a hallmark of our success. In addition, we now operate from within the public cloud as well as our own private cloud, helping us deliver more reliable solutions to clients that are scalable, flexible and secure.

We continued to advance technology-based solutions that meet clients' critical needs and unique challenges. These include a new digital payments hub enabling faster, easier and more secure payments for commercial, government and transportation clients and an enhanced BenePath Suite that helps state agencies with eligibility and enrollment. We also developed our cloud-native Medicaid Suite of solutions to meet the modularity needs of states and were subsequently selected as the MMIS provider by two states in Q4 alone. Across our diverse solution portfolio, we continued to leverage advanced technologies like AI, automation and analytics to increase process efficiency and improve experiences for users.

Enhanced client satisfaction

Our clients have recognized our progress as well. For the second consecutive year, Toyota Financial Services recognized Conduent with its Supplier Excellence Award and we were again named GM Supplier of the Year. H&R Block also recognized us as a Field Technology Support Partner of the Year. This increase in client trust and performance has helped us deepen client relationships and expand the number of service lines we deliver for our top clients. Our clients will always remain at the center of our future and the focus of our strategy.

Strengthened our culture

We continued to strengthen our *One Conduent* culture that is built on our leadership principles, teamwork, and diversity and inclusion to create an environment where associates can thrive and therefore better focus on client success. In 2022, we were honored by *Newsweek* as one of America's Most Loved Workplaces. We were named as a Best Company for Women by Comparably, a Top Employer for LGBT+ Inclusion by India's Workplace Equality Index and a Best Place to Work for Disability Inclusion by the Disability Equality Index. Additionally, we're very proud that *Forbes* recognized us for the second straight year in its America's Best 500 Employers for Diversity list.

Our focus on environmental, social and governance (ESG) continued as an integral part of our long-term strategy. We advanced our ESG initiatives, both in our company practices and through our solutions. We expanded our CSR Report and continued our alignment with various ESG reporting frameworks because it's both important to our clients, and the right thing to do.

Elevated our reputation

We have dramatically improved our reputation with our clients by improving their end-user experiences, driving better performance and creating value. In addition, we have earned many leadership rankings from Everest Group, ISG, and NelsonHall, and received honors on *Government Technology's* GovTech 100 list of companies that make a difference in and working with U.S. state and local governments.

Our focus ahead

The foundational repair phase of our transformation is complete, and we'll continue to sustain what we've built. Now, it's about growth.

Our focus will remain squarely on our clients' success through differentiated solutions, operational excellence and client-first routines. We will continue to drive valuable outcomes for our clients and their millions of end users.

I want to thank our entire team of associates who worked together to rebuild our foundation and take care of our clients as well as each other. I'm honored to be part of the Conduent team that has shaped our exciting progress to date, and I look forward to continuing our successful journey.



Cliff Skelton

President and Chief Executive Officer
Conduent Incorporated
March 2023

Delivering for our clients in the moments that matter

Every day Conduent delivers mission-critical, technology-led solutions and services on behalf of our clients to create better outcomes for millions of people who count on them.

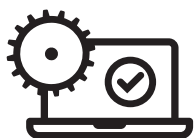
Our solutions and services interact in the lives of people in many ways — from safer, more seamless commutes

that reduce congestion to streamlined benefits enrollment, digital payments, customer experiences, healthcare claims and more. Each one of these interactions is an opportunity to create exceptional experiences in moments that matter, leading to lasting relationships between our clients and their end users.

As a global technology-led business process solutions company, Conduent works with 80% of Fortune 100 companies and over 600 government entities to optimize performance, improve experiences and create value while enabling these moments that matter for our clients.



Our Businesses



Commercial

Enhancing customer experience and business process efficiency across the enterprise

- Customer Experience Management
- Human Capital Solutions
- Healthcare Claims and Administration
- Business Operations Solutions

1.3B

customer service interactions managed annually

3.6B

documents captured, indexed and classified annually

\$3.3B

in vendor spend under management



Government

Streamlining the delivery of government services to constituents in need

- Payments
- Child Support
- Eligibility and Enrollment
- Government Healthcare Solutions

46

states in which our government solutions are utilized

119M

healthcare program recipients supported

43%

of SNAP payments processed on behalf of government entities



Transportation

Creating smarter mobility and safer journeys across the transportation ecosystem

- Road Usage Charging
- Public Safety
- Transit
- Curbside Management

11.8M

tolling transactions processed every day

48%

of the transactions of the Top 10 U.S. tolling agencies

\$757M

collected annually for citations and delinquent revenue collections

Board of Directors

Scott Letier

Chairman of the Board
Conduent Incorporated
Managing Director
Deason Capital Services, LLC

Cliff Skelton

President and Chief Executive Officer
Conduent Incorporated

Hunter Gary

Senior Managing Director
Icahn Enterprises L.P.

Kathy Higgins Victor

President and Chief Executive Officer
Centera Corporation

Jesse A. Lynn

General Counsel
Icahn Enterprises L.P.

Steven Miller

Portfolio Manager
Icahn Capital LP

Michael Montelongo

President and Chief Executive Officer
GRC Advisory Services, LLC

Margarita Paláu-Hernández

Founder and Chief Executive Officer
Hernández Ventures

Shareholder Information

For investor information, including comprehensive earnings releases and this Annual Report, visit investor.conduent.com or contact Investor Relations at IR@conduent.com

For ESG inquiries, email ESG@conduent.com

Shareholder Services

Computershare at 866.574.5496
Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078
www.computershare.com/investor

Annual Meeting

Wednesday, May 24, 2023, 9:30 a.m., EDT

The Annual Meeting will be conducted virtually, via a live audio webcast. Access details will be provided via Proxy materials, which will be mailed on April 11, 2023, to shareholders of record as of March 30, 2023.

Electronic Delivery Enrollment

Conduent offers shareholders the convenience of electronic delivery, including:

- Immediate receipt of the Proxy Statement and Annual Report
- Online Proxy voting

Registered Shareholders, visit:

www.envisionreports.com/CNDT

Registered shareholders can sign up for future electronic delivery on that site. You are a registered shareholder if your shares are being held by our transfer agent, Computershare.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2022**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: _____ to: _____

Commission File Number **001-37817**

CONDUENT INCORPORATED

(Exact Name of Registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

100 Campus Drive, Suite 200, Florham Park, New Jersey

(Address of principal executive offices)

81-2983623

(IRS Employer Identification No.)

07932

(Zip Code)

(844) 663-2638

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CNDT	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Small reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates as of June 30, 2022 was \$921,960,822.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at January 31, 2023
Common Stock, \$0.01 par value	218,404,494

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain portions of the Registrant's Notice of 2023 Annual Meeting of Shareholders and Proxy Statement (to be filed with the Securities and Exchange Commission pursuant to Regulation 14A no later than 120 days after the close of the fiscal year covered by this report on Form 10-K).

FORWARD-LOOKING STATEMENTS

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Annual Report on Form 10-K (Form 10-K), which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words "anticipate," "believe," "estimate," "expect," "plan," "intend," "will," "aim," "should," "could," "forecast," "target," "may," "continue to," "if," "growing," "projected," "potential," "likely," and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward looking. In addition, all statements regarding the anticipated effects of the COVID-19 pandemic and the responses thereto, including the pandemic's impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expressed or implied herein as anticipated, believed, estimated, expected or intended or using other similar expressions.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this Form 10-K, any exhibits to this Form 10-K and other public statements we make. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking statements are also subject to the continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are uncertain and cannot be predicted.

Important factors and uncertainties that could cause actual results to differ materially from those in our forward-looking statements include, but are not limited to: government appropriations and termination rights contained in our government contracts; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our reliance on third-party providers; risk and impact of geopolitical events and increasing geopolitical tensions (such as the war in the Ukraine), macroeconomic conditions, natural disasters and other factors (such as pandemics, including coronavirus) in a particular country or region on our workforce, customers and vendors; conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes; relying on third party providers; our ability to deliver on our contractual obligations properly and on time; changes in interest in outsourced business process services; claims of infringement of third-party intellectual property rights; our ability to estimate the scope of work or the costs of performance in our contracts; the loss of key senior management and our ability to attract and retain necessary technical personnel and qualified subcontractors; our failure to develop new service offerings and protect our intellectual property rights; our ability to modernize our information technology infrastructure and consolidate data centers; the continuing effects of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are uncertain and cannot be predicted; the failure to comply with laws relating to individually identifiable information and personal health information; the failure to comply with laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to comply with data security standards; developments in various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings; changes in tax and other laws and regulations; risk and impact of potential goodwill and other asset impairments; our significant indebtedness and the terms of such indebtedness; our failure to obtain or maintain a satisfactory credit rating; our ability to receive dividends or other payments from our subsidiaries; our ability to obtain adequate pricing for our services and to improve our cost structure; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from or failure of significant clients; fluctuations in our non-recurring revenue; increases in the cost of voice and data services or significant interruptions in such services; changes in government regulation and economic, strategic, political and social conditions; volatility of our stock price and the risk of litigation following a decline in the price of our stock; economic factors such as inflation,

the level of economic activity and labor market conditions, as well as rising interest rates; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of this Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission (SEC). Any forward-looking statements made by us speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether because of new information, subsequent events or otherwise, except as required by law.

CONDUENT INCORPORATED

FORM 10-K

December 31, 2022

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PART I

ITEM 1. BUSINESS

In this Form 10-K, unless the content otherwise dictates, "Conduent", the "Company", "we" or "our" mean Conduent Incorporated and its consolidated subsidiaries.

Our Business

As a global technology-led business process solutions company, Conduent delivers mission-critical services and solutions on behalf of businesses and governments to create exceptional outcomes for our clients and the millions of people who count on them. Through people, process, expertise, analytics and automation, our services and solutions create value by elevating customer experiences, increasing efficiencies and reducing costs. Eighty percent of Fortune 100 companies and over 600 government and transportation agencies depend on us each day as their trusted partner to manage their business processes and end-user interactions.

As a pioneer in global business process outsourcing, we deliver deep and transformative expertise across a wide range of industries globally in both the commercial and public sectors. Each day, Conduent's services and solutions interact in the lives of millions of people in many ways — from safer, more seamless commutes that reduce congestion to streamlined benefits enrollment, digital payments, customer experiences and government healthcare claims.

Our commercial portfolio includes leading solutions in attractive growth markets, including customer experience management, business operations, healthcare and human capital solutions. We are a leading provider of medical bill review. In 2022, for example, we administered bill review for and repricing on approximately 28 million medical bills for over 3 million workers compensation claims in the U.S. resulting in \$20 billion of total bill reductions on behalf of our clients. Our people, expertise and technology elevate experiences and outcomes every day across our commercial, government and transportation businesses, where we managed approximately 1.3 billion customer service interactions in 2022.

We serve a substantial portion of the public sector, providing market-leading transportation and government solutions such as smart mobility solutions that seamlessly connect travelers and digital benefit payments that constituents depend on every day. Our transportation portfolio includes Road Usage Charging, Transit, Curbside Management, and Public Safety solutions. We process nearly 12 million tolling transactions every day while helping to reduce congestion and greenhouse emissions through all-electronic tolling and other technology solutions.

Our government portfolio includes digital payments, child support payments, government healthcare solutions and eligibility and engagement solutions. Our systems reliably process 43% of all Supplemental Nutrition Assistance Program (SNAP) payments on behalf of government entities, helping to ensure efficient delivery of benefits to the most vulnerable populations.

With approximately 62,000 associates globally as of December 31, 2022, we are dedicated to our clients' success. Each day, our people and our technology-led solutions serve millions of end users on behalf of our clients.

Of our global team, 41% is in North America with the remainder located primarily in our delivery centers in Asia Pacific, Latin America, the Caribbean, and Europe. We continue to be recognized for our commitment to fostering a culture of belonging and respect for diversity, equity and inclusion.

Our Strategic Focus

Our goal is to be the technology-led business services partner of choice for businesses and governments globally. Through our dedicated associates, we deliver mission-critical services and solutions on behalf of businesses and governments, creating valuable outcomes for our clients and the millions of people who count on them. To achieve this, we focus on delivering outcomes across three critical dimensions: Growth, Efficiency and Quality. Our strategy is designed to deliver shareholder value by creating profitable growth, expanding operating margins, identifying process efficiencies, and employing a disciplined capital allocation strategy.

We have identified specific execution strategies and key performance indicators across Growth, Efficiency and Quality.

Growth: Our opportunity for growth stems from understanding our clients' businesses and driving valuable outcomes for our clients to help them reduce costs, improve efficiencies and elevate customer experiences. To capitalize on growth opportunities, we remain focused on several key strategies:

- **Sales Performance Optimization:** We continue to optimize sales training, processes and account management to strengthen client and prospect relationships. We have also invested in a growth acceleration team focused on business development. This has resulted in more selling opportunities both with new clients as well as greater share of wallet with existing clients. In 2022, our add-on sales grew by 10% compared to 2021 and the number of our top 100 clients with multiple service lines increased from 73 to 90. We continue to improve our responsiveness to clients while expanding our sales coverage, including in international markets. We provide our sales team with regular training tailored specifically for their roles, while also streamlining processes and equipping them with modern tools to support their performance. Our team's talent and dedication has resulted in Conduent serving 46 states, a majority of the Fortune 100, and other leading companies, including:
 - 17 of the top 20 U.S. health insurers;
 - 9 of the top 10 pharma companies;
 - 4 of the top 5 automakers; and
 - 7 of the top 10 U.S. banks.
- **Offering Development:** We continue to augment our portfolio of services and solutions with innovative technology capabilities, including cloud, data analytics, automation tools and machine learning capabilities to create differentiated, high-value solutions for our clients and to enable greater penetration of attractive market segments.

In 2022, in response to our continued commitment to quality and efficiency, our clients have renewed contracts with us and given us more business in adjacent service lines, and we've gained new clients. We measure success in "Growth" through revenue retention and new business signings, among other metrics.

Efficiency: We continue to identify ways to reduce costs and deliver solutions more efficiently. We have simplified and standardized our operating model by removing redundant management layers and applying processes that enable faster decision-making and greater transparency and accountability. In addition, we aim to achieve additional efficiencies through the following strategies:

- **Automation:** We will continue to invest in embedding intelligent process automation into existing operations, including automated document management and customer experience. Our automation tools increase productivity through advanced data extraction and handling of structured and unstructured data, improve workflow efficiency through business rules and task automation and increase operational accuracy through predictive analytics.
- **Technology Consolidation:** We have identified and are rationalizing redundant technology systems across our lines of business. By centralizing technology systems to drive economies of scale, we amplify the impact of investments, and support consistent, resilient, and stable service delivery.
- **Delivery Optimization:** We continue to drive efficiencies by delivering common processes with a shared services model that enables economies of scale while also creating more accountability for client performance. We have consistently improved our service level agreement (SLA) performance. We drive progress through continuous process improvement, and capitalizing on a range of staffing models, including flexible work from home and hybrid work, and by optimizing our geographic footprint.

We continue to respond with agility to clients' shifting needs and our Net Promoter Score (NPS) has increased by 30 points over the past three years. We measure success in Efficiency through associate retention and adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA) margin, among other metrics.

Quality: Our clients depend on stable, high-quality delivery of services. We continue to drive progress by increasing system uptime, improving operational stability, and creating client confidence and satisfaction by focusing on the following strategies:

- **Proactive, Real-time Monitoring of Applications and Service Performance:** We continue to invest in artificial intelligence and machine learning technologies to proactively monitor and prevent incidents.

Through our state-of-the-art global IT command center in Sandy, Utah - which delivers seamless and reliable service to our global clients - we continued to increase uptime in 2022 and we believe we will continue to do so in 2023.

- **Data Center Optimization:** We have systematically consolidated the majority of our technology infrastructure into two state-of-the-art data centers that has resulted in increased processing speeds, redundancy and stability, improving performance for our clients.
- **Improve End User Experience:** We are enhancing both user interfaces and user experiences across our offerings by expanding self-service tools and mobile apps, and by leveraging deeper user insights through analytics.

Our focus on quality has resulted in continued client confidence and satisfaction. We have been named GM Supplier of the Year and received the Toyota Financial Services Supplier Excellence Award, both for the second consecutive year. We measure “Quality” by service level agreement performance, technology incident rates, and client satisfaction.

Investment Strategy: To achieve our business goals, we have a disciplined investment strategy focused on allocating capital to meet the needs of our clients while supporting our growth strategies. Our balanced investment approach falls into three broad categories:

- Opportunities to optimize, where we have significant scale and where we believe that with process improvements, automation, and an investment into the current offerings, we can improve the end-user experience, reduce our cost of delivery, expand our margins, and further capture additional share.
- Opportunities to enhance, where we have strong client relationships, a long history of expertise in that market, and legacy technology that needs to be refreshed or modernized.
- Opportunities to expand, where we believe we can compete successfully, and we see the return on investment as more significant than the other businesses. These businesses, augmented with new capabilities and geographic expansion, and with the opportunity to be supplemented by modest acquisitions, will address market dynamics and provide additional growth opportunities.

Our Market Opportunity

We operate in markets with compelling growth opportunities, including healthcare, transportation and customer experience management. We estimate our addressable market size in the global business process services industry to be \$200 billion in 2022, according to third-party industry reports. Many industry analysts and advisors place us as a leader across several segments in this large, diverse, and growing market.

Ongoing competitive pressures and increasing demand for further productivity gains have motivated businesses and government organizations to outsource elements of their day-to-day operations to accelerate performance and improve end-user experience. As a result, our clients have become more focused on their core businesses and the range of outsourced activities has expanded. Increasing globalization has also required many companies to optimize cost structures to retain competitiveness and business process services have become a key component of this strategy.

Consumers and constituents of the businesses and governments we serve are demanding the efficiency and personalization of modern digital experiences. Our technology-led business process solutions drive performance and value for both businesses and governments while providing an exceptional customer experience for their end users.

We have developed a strong leadership position in the markets that we operate in, with increased recognition across multiple stakeholders, as demonstrated by recognition from industry resources.

- **Industry Analyst Accolades:**
 - A leader in Healthcare: Everest Group;
 - A leader in HR Services: NelsonHall; and
 - A leader in Customer Experience Services: ISG, NelsonHall, Everest Group.

- **Market Position:**

- Everest Group Top 50 BPS Providers, #8;
- Gartner Market Share: BPO, Worldwide, #11; and
- ISG's Top 15 Service & Technology Provider Standouts – Managed Services, Americas - The Building 15.

Segments

We organize, manage and report our business through three reportable segments:

Commercial: Our Commercial segment provides business process services and customized solutions to clients in a variety of commercial industries. Across the Commercial segment, we operate on our clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for our clients and better experiences for their consumers and employees. Our Commercial segment is our largest segment, with segment revenue for 2022 of \$1,992 million, representing 52% of our total revenues.

Government: Our Government segment provides government-centric business process services to U.S. federal, state, local and foreign governments for public assistance, health services, program administration, transaction processing and payment services. Our solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations. Our Government segment revenue for 2022 was \$1,150 million, representing 30% of our total revenues.

Transportation: Our Transportation segment provides systems, support, and revenue-generating solutions to government transportation agency clients. We deliver mission-critical public safety, mobility and digital payment solutions that streamline operations, increase revenue and reduce congestion while creating safe, seamless travel experiences for consumers and positively impacting the environment. Transportation segment revenue for 2022 was \$709 million, representing 18% of our total revenues.

We present segment financial information in Note 3 – Segment Reporting to our Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Our Service Offerings

Commercial

Our technology-led solutions and services include Customer Experience Management (CXM), Business Operations Solutions (BOS), Healthcare Claims and Administration Solutions and Human Capital Solutions (HCS).

- **Customer Experience Management**

- We deliver a full range of omni-channel customer contact services and customer communications, including customer care, technical support, loyalty management, and outbound and inbound sales. We create better experiences across the customer lifecycle through a variety of channels including social media, chat, email, voice and virtual agent to help customers where and how they want to engage. Through omni-channel communications, automation, and analytics, as well as labor efficiencies, we help our clients to reduce costs, enable scale and drive revenue growth and efficiencies. We serve marquee clients across multiple sectors including financial services, health and life sciences, manufacturing and automotive, aerospace and defense, consumer goods, retail, technology and telecom, travel, transportation, and hospitality sectors. The CXM business generally generates income on a per call, per agent, or per percentage of sales made basis.

- **Business Operations Solutions**

- In our BOS business, we help our clients transform business processes and drive efficiency, automation and scale across essential business functions. We streamline mission-critical operations through our deep industry experience, understanding of our clients' operations and the latest technology solutions, to reduce costs, improve security and accuracy and enable revenue growth, while enhancing the end-user experience. Our portfolio of solutions spans automated document and data management, payments processing, finance, accounting, and procurement and financial industry solutions. We generate revenue in a variety of ways within this business, including per item handled, time and

materials, and per service such as postage, web portal hosting or data storage. Our pricing can also be based on achieving specific outcomes for services rendered.

- **Healthcare Claims and Administration Solutions**

- On behalf of the healthcare and casualty insurance industries, we deliver administration, clinical support, bill review and medical management solutions across the health ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experiences for members and patients. Our solutions span: trials, sales, access, and adherence for pharmaceutical clients; medical bill review, claims processing, care integration, subrogation and payment integrity solutions for managed care companies; and workers compensation medical bill review, intake mailroom/data capture and medical management services for claims payers and third-party administrators. Through our solutions provided to pharmaceutical clients, we generate revenue either based on a per employee, per transaction basis or a per resource per hour basis. Through our workers compensation and medical bill review services, we generate revenue on a per click and outcome basis. Through our medical bill review, claims processing, and payment integrity solutions provided to managed care companies, we generate revenue on a per member per month basis for use of our platform, as a percentage of what we collect for the provider, or a monthly or annual fee.

- **Human Capital Solutions**

- We provide services to support our clients' employees at all stages of their employment from onboarding through retirement. Our solutions span Health Savings Account Solutions, Benefits Administration Solutions, Human Resources (HR) and Payroll Solutions, and Learning Solutions. On behalf of global organizations and governments, we deliver mission-critical, technology-led HR services and solutions that improve business processes across the employee journey to maximize business performance, while increasing employee satisfaction, engagement, and overall well-being. These solutions help empower more than 11 million employees and span health, benefits, payroll, onboarding and learning administration, annual enrollment, wealth and retirement, HR, talent, and workforce management. Depending on the solution, we generate revenue in a variety of ways. For our Health Savings Account (HSA) Solutions business, we generate revenue via account fees, interchange fees on debit cards, and interest-related revenues as a result of balance fees from depository banks that hold cash deposited into the Savings Account business.
- As of December 31, 2022, we managed approximately 900,000 active HSAs with \$2.7 billion of assets under management. In addition to managing HSAs, we manage Flexible Savings Accounts and other Notional Accounts on behalf of corporations providing incremental benefits to their employees. Within our Benefits Solutions, we principally generate revenue based on the number of employees and retirees we support, as well as transactions generated by client life events such as qualified domestic relations orders, Consolidated Omnibus Budget Reconciliation Act (COBRA) and Affordable Care Act (ACA) administration, which are charged on a per transaction basis. Within our HR and Payroll Solutions, we generate revenue principally per client's employee per period (month / year) pricing, with banding to address periodic variations in client employee headcount. Within our Learning Solutions, we generate revenue principally by transaction-based pricing per unit of production along with fixed monthly governance fees.

Government

Our Government solutions and services include Government Healthcare Solutions and Government Service Solutions that streamline delivery of government benefits and programs to constituents and families in need.

- **Government Healthcare Solutions**

- We provide mission-critical program administration solutions for government healthcare programs in 46 states, the District of Columbia, and a federal program (U.S. Department of Labor), which includes nearly 119 million recipients supported. Our services include a range of innovative solutions such as Medicaid management, provider services, Medicaid business intelligence, pharmacy benefits management, eligibility and enrollment support, customer contact services, application processing, premium billing, and case management solutions. Our Medicaid Suite is a modular SaaS solution for

state Medicaid agencies to transform from a legacy Medicaid Management Information System (MMIS) to a digital, interoperable, and scalable Medicaid Enterprise System. Our case management solutions provide disease surveillance and outbreak management to make it easier to monitor, report and protect the health of communities globally. Both U.S. and international governments depend on our disease surveillance and outbreak case management solution to track public health metrics, including COVID-19, vitals, and birth defects, provide contact tracing and understand outbreak dynamics. These solutions help states, counties, and countries optimize their costs by streamlining access to care and improving patient health outcomes through population health management, while helping families in need by improving beneficiary support. Within the Government Healthcare Solutions business, our revenue is primarily fixed fee or variable price based on a per call, per interaction or per member basis.

- **Government Service Solutions**

- With \$106 billion disbursed annually, we are a leader in government payment disbursements for federally sponsored programs including Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, and Women, Infant and Children (WIC) as well as government-initiated cash disbursements such as child support and Unemployment Insurance (UI). We deliver electronic payments for government services in 36 states, 23 Electronic Benefit Transfer (EBT) programs, 13 EBT for WIC programs and 6 Electronic Child Care programs. In our SNAP payments solution, we generate revenue based on the number of cases or number of card holders. Within our UI payment solution, we generate revenue based on interchange fees and spending on cards as a percentage of transactions.
- We also offer a broad set of child support services predominately to State Disbursement Units (SDUs), including processing and distributing payments, child support payment cards, childcare credentialing, and case management, among others, to help states comply with federal standards. Within child support solutions, the way we generate revenue varies by state, but it is generally either per financial transaction, per call, fixed price, or for development of systems.

Transportation

On behalf of government agencies and transportation authorities around the world, we deliver solutions serving toll and fare collection, mobility and digital payments, violation and citation management, photo enforcement and interoperability that help streamline operations and increase revenue. With an expanded focus on sustainability and enhancing the quality of life for citizens and communities around the world, our solutions help reduce congestion and greenhouse emissions, enhance public safety, and create seamless travel experiences for consumers throughout transportation ecosystems.

- **Road Usage Charging and Management Solutions**

- Our electronic tolling, urban congestion management and mileage-based user solutions help our clients get travelers to where they need to go while generating revenue for infrastructure improvements. Our solutions include vehicle passenger detection systems, electronic toll collection, automated license plate recognition and congestion management solutions. We generate revenue based on a combination of fixed fee and transaction-based pricing. The transaction-based component can be per account per month, per notice mailed, per active account, per violations fees received, or per image-based transaction. Conduent manages 48% of the transactions of the top 10 U.S. tolling agencies.

- **Transit Solutions**

- For train, bus, subway, metro and other transit travelers, we help make journeys more personalized and convenient while increasing capacity and profitability for authorities and agencies. We combine fare collection and intelligent mobility to provide clients with the added efficiency of a single point of management for all transit solutions. Within transit, we primarily generate revenue via implementation of end projects (hardware and software, maintenance services, repair and sale of spare parts), and the building and operation of fare collection systems.

- **Curbside Management Solutions**

- We deliver intelligent curbside management systems that simplify parking programs and deliver convenient and hassle-free experiences for drivers. Our curbside solutions include citation and permit

administration, parking enforcement, and curbside demand management. In 2022, we processed over 8.7 million payments and collected nearly \$757 million for citations and delinquent revenue collections. We generate revenue based on violations issued, payment processing transactions, collections activities or a fixed fee for our services.

- **Public Safety Solutions**

- Public safety is a priority in every community, especially as budgets shrink and populations grow. We provide data analytics, automated photo enforcement and other public safety solutions to make streets and communities safer. Our photo enforcement systems include red light, fixed and mobile speed, school bus, work zone, school zone, bus lane, high occupancy and other enforcement systems. The majority of our contracts within this business are fixed fee based on the number of enforced locations.

- **Commercial Vehicles**

- We provide computer-aided dispatch/automatic vehicle location technology to help clients manage their fleet operations.

Our Competitive Strengths

We possess competitive strengths that distinguish us from our competitors, including:

Leadership in attractive growth markets: We are a leader in business process solutions that deliver exceptional outcomes for our clients at an unparalleled scale. Our clients continue to outsource key business processes to improve efficiencies and to accelerate performance and digital transformation. Additionally, clients are moving beyond services for back-office functions to drive customer satisfaction and loyalty. The increase in globalization and cost competition continues to accelerate, forcing companies to seek ways to stay ahead of the competition. These factors, along with clients and their customers demanding more personalized, seamless, and secure solutions, are collectively driving the ongoing shift to next-generation solutions and services. Through our portfolio of technology-led services and solutions, we have reached significant scale in our interactions including:

- **Healthcare:** U.S. healthcare spending is expected to remain largely unchanged as a percentage of GDP (19.6% and 19.7% of GDP in 2030 and 2020, respectively) and is projected to grow at an average rate of 5.1% per year between 2021-2030. We are widely recognized by industry analysts as a leader in healthcare payer operations, serving 17 of the top 20 U.S. health plans and providing administrative and mission-critical program administration solutions for government healthcare programs in 46 states, the District of Columbia, and a federal program (U.S. Department of Labor), which includes nearly 119 million recipients supported. Conduent's healthcare capabilities have been recognized by ISG, HfS Research and Everest Group.
- **Transportation:** Traffic congestion continues to increase due to urbanization and changing global demographics. As a result, optimized transportation systems are becoming critical to increase efficiency while maintaining strict safety requirements. Electronic toll collection, public transit and parking represent key growth drivers as governments at all levels increasingly focus on transportation infrastructure. We are an award-winning innovator in parking management.
- **Business Operations Solutions:** We provide high volume print and mail services, enrollment processing and personalized and targeted marketing and communications to large corporations and are a leading provider in this market with more than 3.6 billion documents captured, indexed and classified annually.

Global delivery expertise: Our scale and global delivery capabilities enable us to deliver our proprietary technology and differentiated service offerings expertly to clients around the world. We have operations in 25 countries including India, the Philippines, Jamaica, Guatemala, Mexico, Romania, the United Kingdom and several locations within the United States, providing our customers the option for "onshore", "nearshore" or "offshore" outsourced business process services. This global delivery model allows us to leverage lower-cost production locations, consistent methodologies and processes, time zone advantages and business continuity plans. As of December 31, 2022, 47% of our employees were located in high-cost countries and 53% were located in low-cost countries.

Differentiated technology-led suite of multi-industry solutions: Through dedicated people, process expertise and technology, such as analytics and automation, Conduent services and solutions create value for our clients by

creating efficiencies, improving experiences, reducing costs and enabling revenue growth while better serving millions of end customers that depend on us. We deliver performance by optimizing processes to be more efficient, flexible and secure. We deliver value by driving valuable outcomes and reducing costs at scale. We enhance the customer experience by improving experiences, engagement and loyalty of end users. In fact, the number of our top 100 commercial clients who utilize Conduent for multiple service lines increased from 73 to 90 from 2021 to 2022.

Recurring revenue model supported by a loyal, diverse client base: We have a broad and diverse base of clients across geographies and industries, including 80% of the Fortune 100 companies, many Fortune 1000 companies, midsize businesses and governmental entities. Our clients are increasingly satisfied as evidenced by our NPS that has increased by 30 points over the past three years. Our close client relationships and successful client execution support our stable recurring revenue model and high renewal rates.

Competition

Although we encounter competition in all areas of our portfolio, we are a leader in many categories. We compete based on technology, performance, quality, reliability, reputation, price, and customer service and support. We consider our "onshore", "near shore" and "offshore" delivery capabilities to be a competitive advantage. Our competitors range from large international companies to relatively small firms. Many of our competitors specialize in certain areas but none compete across all the same segments in our total portfolio. Our competitors include:

- Large multinational service providers such as Accenture, Cognizant, TTEC and Teleperformance;
- Traditional business process outsourcing companies such as Genpact and EXL Services;
- Human resource, payroll processing and human capital management providers such as Alight and Willis Towers Watson;
- Healthcare-focused IT and service solutions providers such as Gainwell, Optum and Maximus;
- HSA administrators such as Health Equity;
- U.S. Federal-focused government services providers such as Leidos;
- Transportation multi-nationals such as TransCore, Thales, Cubic and Verra Mobility; and
- Smaller, niche business processing service providers and in-house departments that perform functions that could be outsourced.

Sales and Marketing

We market and sell our business process solutions and services to both potential and existing clients through our global sales and business development teams. Additionally, we have dedicated "solution architects" who work with clients to better understand their business requirements and tailor our standard solutions to meet their unique needs. Our clients include small and large commercial businesses across many industries, as well as public sector agencies and enterprises.

Our solutions help solve clients' business issues and help them achieve their desired business outcomes. We leverage our broad portfolio of offerings and dedicated team of associates to package solutions that exactly meet clients' needs, while taking a disciplined approach to pricing and contracting. Our sales efforts typically involve extended selling cycles where our deep domain and industry expertise is critical to winning new business. We maintain strong relationships with our clients from initial engagement to implementation and on-going service delivery.

Intellectual Property

Generally, our policy is to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. As of December 31, 2022, we own approximately 607 U.S. patents and have 31 pending applications. Our patent portfolio evolves as new patents are awarded to us and as older patents expire. These patents expire at various dates, generally 20 years from their original filing dates. While we believe that our portfolio of patents and applications has value, in general, no single patent is essential to our business or to any individual segment of our business. In addition, any of our proprietary rights could be challenged, invalidated, or circumvented, or may not provide significant competitive advantages.

Our business relies on software provided to an approximately equal extent, by both internal development and external sourcing to deliver our services. With respect to internally developed software, we claim copyright on all such software, registering works which may be accessible to third parties. In addition, we rely on maintaining source code confidentiality to assure our market competitiveness. With respect to externally sourced software, we rely on contracts assuring our continued access for our business usage.

In the United States, we own 57 registered trademarks reflecting the many businesses we participate in. These trademarks may have a perpetual life, subject to renewal every 10 years and may be subject to cancellation or invalidation based on certain use requirements and third-party challenges, or on other grounds. We vigorously enforce and protect our trademarks.

People and Culture

Headcount

The skills, expertise, and experience of our talented and diverse global workforce allow us to deliver mission-critical services and solutions that drive exceptional client outcomes. As of December 31, 2022, we had approximately 62,000 associates in 25 countries working towards a common vision and purpose, with 41% located in North America and the remainder located primarily in Asia Pacific, Latin America and the Caribbean, and Europe. Our three reportable segments, Commercial, Government and Transportation, house most of our associates with approximately 45,000, 6,000 and 4,000 associates, respectively.

Conduent Diversity & Inclusion (D&I)

We draw strength from the diversity of our global workforce, and we believe that creating an inclusive culture where all associates can bring their authentic selves to work creates value for all our stakeholders.

Our eight Employee Impact Groups (EIGs) continue to play a vital role in creating an environment of belonging and inclusion through year-round activities that advance culture and professional development, create a sense of community, and impact business outcomes. As part of our focus on D&I awareness and education, in 2022, we delivered extensive training on "inclusive leadership" and hosted panel discussions with members of our Board of Directors on a range of D&I topics. We continue to advance our efforts towards embedding D&I in our talent management and recruiting practices and are proud to have received several global workplace diversity awards, including being recognized as a Top Employer for LGBT+ inclusion in India's Workplace Equality Index (IWEI) 2022, a Best Place to Work for Disability Inclusion by the American Association of People with Disabilities and Disability:IN, and being named to Newsweek's list of Top 100 Most Loved Workplaces.

Employee Learning and Development

As a services company, we believe our associates are our most important asset, which is why we invest in associate growth and development programs. We are focused on building a workplace where our people can do their best work and have access to the learning tools and resources they need to excel in their role, stay competitive and grow their skill set. We offer our associates modern, digital world-class learning platforms that help them learn anywhere, anytime on a wide range of topics including technology, professional and business-related themes. We continue to invest in new, cutting-edge learning platforms to elevate their learning experience. As a result, we have been successful in building a culture of continuous learning, with employees taking charge of their learning and development. In addition to our digital platforms, employees are also provided job-specific technical training when they are onboarded and during their professional journey as required. Our learning platforms are widely utilized with about 2.7 million learning assets completed in 2022 and have great learning effectiveness scores for satisfaction, skill improvement and application of learning on the job. We also ensure that our associates complete regulatory and compliance training on topics required based on their role and geography.

Associate Engagement

We continuously gather associate feedback through multiple touchpoints throughout the year and leverage that feedback to both inform our talent strategy and enhance our associate experience. These touchpoints include both external recognition surveys as well as feedback gathered through internal pulse surveys, exit surveys, and our internal social platform used for open and transparent communications. In 2022, Conduent was recognized among Newsweek's Top 100 Most Loved Workplaces. This recognition was based largely on direct feedback gathered from our associates indicating a strong "emotional connection" between associates and our Company. We also

continuously monitor our rankings and feedback from current associates on review sites such as Comparably. In 2022 our year-over-year Comparably scores held steady, with our overall culture score in the top 5% of similar sized companies, and love of team, challenging work, and flexibility to do remote work cited among the positives.

Awards and Recognition

During 2022, Conduent has been honored to receive several prestigious awards related to our culture, including:

- Being recognized as a Top Employer for LGBT+ Inclusion in the India Workplace Equality Index (IWEI) 2022;
- Being named to Newsweek's 2022 Top 100 Most Loved Workplaces;
- Being recognized among Comparably's list of 2022 Best CEOs for Women;
- Being recognized as a Best Place to Work for Disability Inclusion based on our Disability Equality Index score May 2022; and
- Being named to Forbes' America's Best 500 Employers for Diversity 2022.

Corporate Ethics

We operate according to our Ethics and Compliance Program, which is focused on sustaining an ethical culture and is designed to meet general governance and specific industry, regulatory, and legal requirements. The Ethics and Compliance Program is based on our core values, including personal accountability, and overseen by Conduent's Ethics Office.

Conduent's Code of Business Conduct is the foundation of our Ethics and Compliance Program. Our Code of Business Conduct embodies and reinforces Conduent's commitment to the highest standards of integrity and sets forth our expectations for ethical leadership, job performance, and compliance with the Code of Business Conduct and Company policies. It is designed to help associates recognize ethics and compliance issues before they arise and to deal appropriately with issues that occur.

Conduent Finance Employees are additionally required to act in accordance with our supplemental Finance Code of Conduct. Our associates are required to complete annual business ethics training. Conduent's Ethics Office periodically solicits associate input to gauge our ethical culture and help identify areas for continuing improvements.

Our directors must act in accordance with our Code of Business Conduct and Ethics for Members of the Board; our principal executive officer, principal financial officer, and principal accounting officer, among others, must act in accordance with our Finance Code of Conduct; and all of our executives and employees must act in accordance with our Code of Business Conduct. Each of these codes of conduct can be accessed through our website at www.conduent.com/corporate-governance. They are also available to any shareholder who requests them in writing addressed to Conduent Incorporated, 100 Campus Drive Suite 200, Florham Park, NJ 07932, Attention: Corporate Secretary. We will disclose any future amendments to, or waivers from, provisions of our Code of Business Conduct and Ethics for Members of the Board and, our Code of Business Conduct and our Finance Code of Conduct for our officers on our website as promptly as practicable, and consistent with the requirements of applicable U.S. Securities and Exchange Commission (SEC) and Nasdaq rules.

Seasonality

Our revenues can be affected by various factors such as our clients' demand patterns for our services, which includes peak windows for benefit enrollment, new product launches by clients, and busy retail and travel seasons.

Availability of Company Information

Our internet address is www.conduent.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our Proxy Statements and any amendments to these reports and statements are found on the Investors section of our website. We make these documents available free of charge as soon as we can after we have filed them with, or furnished them to, the SEC. Our Corporate Social Responsibility Report can also be found in the Investors section of our website.

The SEC maintains an internet address (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

Information about our Executive Officers

The following is a list of the executive officers of Conduent as of February 22, 2023.

Each officer is elected to hold office until the meeting of the Board of Directors held on the day of the next annual meeting of shareholders, subject to the provisions of our by-laws.

Name	Age	Present Position	Year Appointed to Present Position	Conduent Officer Since
Clifford Skelton*	67	President and Chief Executive Officer	2019	2019
Louis Keyes	55	Executive Vice President, Transportation Solutions	2022	2020
Mark King	57	Executive Vice President, Government Solutions	2022	2022
Randall King	57	Executive Vice President, Commercial Solutions	2022	2022
Michael Krawitz	53	Executive Vice President, General Counsel and Secretary	2019	2019
Mark Prout	59	Executive Vice President, Chief Information Officer	2019	2020
Stephen Wood	56	Executive Vice President & Chief Financial Officer	2021	2020

* Member of Conduent Board of Directors

Each of the officers named above has been an officer or an executive of Conduent or its subsidiaries for less than five years. As of February 22, 2023, apart from executive officers Mark King and Randall King, who are brothers, there are no family relationships among any of the executive officers named above and any of our directors.

Mr. Skelton was appointed Chief Operating Officer of Conduent in June 2019, Chief Executive Officer of Conduent in August 2019 and President of Conduent in May 2021. He served as President of Fiserv Output Solutions from March 2017 to June 2019. Prior to that, Mr. Skelton was the Group President and Chief Information Officer at Fiserv from April 2012 until March 2017. Mr. Skelton also held a variety of leadership roles at companies such as Ally Financial (formerly General Motors Acceptance Corporation) and Bank of America. Mr. Skelton is a former Navy fighter pilot and served in the Navy for over 20 years. Mr. Skelton earned his Bachelor of Arts degree from the University of Southern California and Master of Public Administration from Harvard University's John F. Kennedy School of Government.

Mr. Keyes joined Conduent as Global Head of Sales in September 2019. He was appointed Executive Vice President, Chief Revenue Officer in December 2020 and appointed Executive Vice President, Transportation Solutions in August 2022. Prior to joining Conduent, he served as Executive Vice President, Chief Sales Officer at York Risk Services from October 2017 to September 2019. Prior to York Risk Services, he was Senior Vice President at Fiserv Inc. between 2009 and 2017 where he led Enterprise Accounts and large sales teams. Mr. Keyes has also held senior executive leadership roles at Hewlett-Packard Enterprise Services and Electronic Data Systems Corporation. Mr. Keyes earned his Bachelor of Arts degree from the University of Texas at Dallas.

Mr. Mark King joined Conduent in October of 2020 as Head of Government Solutions. He was appointed Executive Vice President, Government Solutions in August 2022. Mr. King has end-to-end responsibility over our portfolio of government solutions helping agencies across the U.S. transform their operations, better serve constituents, and create more satisfying outcomes for people and communities served. Prior to joining Conduent, Mr. King was Head of Output Solutions at Fiserv where he was responsible for all aspects of the business, including product and account management, technology, operations, and financial performance. Mr. King also served as Senior Vice President at Bank of America between 2001 and 2013. Mr. King earned his Bachelor of Arts in Economics at University of North Carolina at Greensboro.

Mr. Randall King joined Conduent in May 2020 as Global Head, End User Experience. He was appointed Executive Vice President, Commercial Solutions in August 2022. Mr. King has responsibility for our commercial solutions portfolio, including Customer Experience Management, Document Management/Automation and Finance, Accounting and Procurement offerings as well as Commercial Healthcare, Human Resources, Learning, Casualty Claims Solutions and Legal, Compliance and Analytics. Prior to joining Conduent he worked for Bank of America, where he served as Chief Operating Officer for Consumer and Wealth Management, as part of the bank's Global Business Services organization. Mr. King earned his Bachelor of Science degree in Economics at North Carolina State University and completed the Operations Leadership Program at the University of Michigan's Stephen M. Ross School of Business.

Mr. Krawitz has served as Executive Vice President, General Counsel and Secretary since November 2019. Prior to joining Conduent, from June 2015 to November 2019, Mr. Krawitz was Executive Vice President, General Counsel and Corporate Secretary of insurance services firm York Risk Services Group, a portfolio company of Onex Corp. From 2014 to 2015, he was Chief Legal Officer of Veriteq Corp., a biotech company. From 1999 to 2014, Mr. Krawitz held leadership roles in public and private companies in the technology and finance sectors. Mr. Krawitz began his career at Fried Frank and earned his Bachelor of Arts in Economics and in Government from Cornell University and his Juris Doctor from Harvard Law School.

Mr. Prout joined Conduent as Head of Information Technology in June of 2019. He was appointed Executive Vice President, Chief Information Officer in September 2019. Prior to joining Conduent, between 2005 and 2019, Mr. Prout served as Chief Technology Officer and held several IT leadership positions at Fiserv. Prior to Fiserv, he served as CIO of Cendian Corporation. Mr. Prout has also held various leadership positions at United Parcel Service. Mr. Prout earned his Bachelor's degree in business management and programming from Southern Illinois University, Carbondale.

Mr. Wood has served as the Chief Financial Officer of Conduent since June 2021. He served in his previous role as the Company's Corporate Controller from August 2020 until June 2021 and was designated as its Principal Accounting Officer effective December 2020. Prior to joining Conduent, Mr. Wood spent 15 years at Fiserv in finance and accounting leadership positions. From December 2016 to May 2020, Mr. Wood served as Vice President & Chief Financial Officer of Fiserv Output Solutions. From March 2009 to December 2016, he served as Vice President & Controller over several different operating groups, and from January 2005 to March 2009, he led International Finance & Accounting operations. Mr. Wood is a Chartered Global Management Accountant with an MBA with distinction from Warwick Business School and a Bachelor of Science from the University of Birmingham in the United Kingdom.

ITEM 1A. RISK FACTORS

Business, Economic, Market and Operational Risks

Our government contracts are subject to appropriation of funds, termination rights, audits and investigations, which, if exercised, could negatively impact our reputation and reduce our ability to compete for new contracts.

A significant portion of our revenues is derived from contracts with U.S. federal, state and local governments and their agencies, and some of our revenues are derived from contracts with foreign governments and their agencies. Government entities typically finance projects through appropriated funds. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, failures to enact appropriation legislation (e.g., a government "shut-down"), government spending reductions or other debt or funding constraints, have resulted in, and in the future could result in, lower governmental sales and our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Additionally, if the government discovers what it considers to be improper or illegal activities or contractual non-compliance (including improper billing or non-compliant performance of contract requirements), we may be subject to various civil and criminal penalties and administrative sanctions, which has occurred in the past and may in the future include termination of contracts, forfeiture of profits, suspension of payments, contractual service penalties, fines and suspensions or debarment from doing business with the government. Any resulting penalties or sanctions could materially adversely affect our results of operations and financial condition. Moreover, government contracts are generally subject to audits and investigations by government agencies. If the government finds that we inappropriately charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. Further, the negative publicity that could arise from any such penalties, sanctions or findings in such audits or investigations could have an adverse effect on our reputation in the industry and reduce our ability to compete for new contracts and could materially adversely affect our results of operations and financial condition.

We derive significant revenue and profit from commercial and government contracts awarded through competitive bidding processes, including renewals, which can impose substantial costs on us, and we will not achieve revenue and profit objectives if we fail to accurately and effectively bid on such projects.

Many of these contracts are extremely complex and require the investment of significant resources in order to prepare accurate bids and proposals. Competitive bidding imposes substantial costs and presents a number of risks, including: (i) the substantial cost and managerial time and effort that we spend to prepare bids and proposals for contracts that may or may not be awarded to us; (ii) the need to estimate accurately the resources and costs that will be required to implement and service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design; (iii) the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding and the risk that such protests or challenges could result in the requirement to resubmit bids and in the termination, reduction or modification of the awarded contracts; and (iv) the opportunity cost of not bidding on and winning other contracts we might otherwise pursue. If our competitors protest or challenge an award made to us on a government contract, the costs to defend such an award may be significant and could involve subsequent litigation that could take years to resolve.

Our ability to recover capital and other investments in connection with our contracts is subject to risk.

To attract and retain large outsourcing contracts, we sometimes make significant capital and other investments to enable us to perform our services under those contracts, such as purchases of information technology equipment, facility costs, labor resources and costs incurred to develop and implement software. The net book value of certain assets recorded, including a portion of our intangible assets, could be impaired, and our results of operations and financial condition could be materially adversely affected in the event of the early termination of all or a part of such a contract or a reduction in volumes and services thereunder for reasons such as a customer's or client's merger or acquisition, divestiture of assets or businesses, business failure or deterioration or a customer's or client's exercise of contract termination rights.

Our business may be adversely affected by geopolitical events and increasing geopolitical tensions, macroeconomic conditions, natural disasters and other factors that could directly impact certain of our employees, customers and vendors in countries or regions effected by such events and factors.

We have a global workforce and global customers. Our employees and customers in a particular country or region in the world may be impacted as a result of a variety of diversions, including: geopolitical events and increasing geopolitical tensions, such as war, the threat of war, or terrorist activity; macroeconomic conditions; natural disasters or the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise); power shortages or outages, major public health issues, including pandemics (such as the coronavirus); and significant local, national or global events capturing the attention of a large part of the population. As an example of a geopolitical event, in February 2022, Russian forces launched significant military action against Ukraine, which has resulted in conflict and disruptions in the region. To date, while we do not believe Russia's military action in Ukraine and governmental actions in response thereto have had a material impact on our business, financial position or operations, we continue to monitor the situation closely. If any of these, or any other factors, disrupt a country or region where we have a significant workforce (such as the U.S., India or the Philippines) or customers (such as the U.S. or Europe), or vendors, our business could be materially adversely affected.

Our results of operations and financial condition may be materially adversely affected by conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes.

Approximately 10.0% of our 2022 revenues was generated from operations outside the United States. In addition, we maintain significant operations outside the United States. Our results of operations and financial condition could be materially adversely affected by changes in foreign currency exchange rates, as well as by several of other factors, including, without limitation, changes in economic conditions from country to country, changes in a country's political conditions, trade controls and protection measures, financial sanctions, licensing requirements, local tax issues, capitalization and other related legal matters. We generally hedge foreign currency denominated assets, liabilities and anticipated transactions primarily through the use of currency derivative contracts. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations but does not eliminate volatility. We do not hedge the translation effect of international revenues and expenses, which are denominated in currencies other than our U.S. parent functional currency, within our Consolidated Financial Statements. If we are unable to effectively hedge these risks, our results of operations and financial condition could be materially adversely affected.

We rely to a significant extent on third-party providers, such as subcontractors, a relatively small number of primary software vendors, utility providers and network providers; if they cannot deliver or perform as expected or if our relationships with them are terminated or otherwise change, our results of operations and financial condition could be materially adversely affected.

Our ability to service our customers and clients and deliver and implement solutions depends to a large extent on third-party providers such as subcontractors, a relatively small number of primary software vendors, software application developers, utility providers and network providers meeting their obligations to us and our expectations in a timely, quality manner. Our results of operations and financial condition have been and in the future may be materially adversely affected and we might incur significant additional liabilities if any of our third-party providers (i) do not meet their service level obligations, (ii) do not meet our or our clients' expectations, (iii) terminate or refuse to renew their relationships with us, or (iv) offer their products to us with less advantageous prices and other terms than previously offered.

Failure to deliver on our contractual obligations properly and on time could materially adversely affect our results of operations and financial condition.

Our business model depends in large part on our ability to retain existing and attract new work from our base of existing clients, as well as on relationships we develop with our clients so that we can understand our clients' needs and deliver solutions and services that are tailored to meet those needs. For our business to grow, we must successfully manage the provision of services under our contracts. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, or if we or our subcontractors fail to perform in accordance with contract requirements, then we could incur additional costs to address the situation, the profitability of that work might be impaired and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client or obtain new work from other potential clients. Many of our contracts with non-government clients may be terminated by the client, without cause, upon specified advance

notice. Accordingly, clients who are not satisfied might seek to terminate existing contracts prior to their scheduled expiration date, which may result in our inability to fully recover our up-front investments. In addition, clients could direct future business to our competitors. We could also trigger contractual credits to clients or a contractual default. Failure to properly transition new clients to our systems, properly budget transition costs or accurately estimate contract operational costs could result in delays in our contract performance, trigger service level penalties, impair fixed or intangible assets or result in contract profit margins that do not meet our expectations or our historical profit margins.

In addition, we incur significant expenditures for the development and construction of system software platforms needed to support our clients' needs. Our failure to fully understand client requirements or implement the appropriate operating systems or databases or solutions which enable the use of other supporting software may delay the project and result in cost overruns or potential impairment of the related software platforms, which could materially adversely affect our results of operations and financial condition.

Our business is dependent on continued interest in outsourcing.

Our business and growth depend in large part on continued interest in outsourced business process services. Outsourcing means that an entity contracts with a third-party, such as us, to provide business process services rather than perform such services in-house. There can be no assurance that this interest will continue, as organizations may elect to perform such services themselves and/or the business process outsourcing industry could move to an as-a-service model, thereby eliminating traditional business process outsourcing tasks. A significant change in this interest in outsourcing could materially adversely affect our results of operations and financial condition. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

We may be subject to claims of infringement of third-party intellectual property rights which could adversely affect our results of operation and financial condition.

We rely heavily on the use of intellectual property. We do not own all of the software that we use to run our business; instead we license this software from a small number of primary vendors. If these vendors assert claims that we or our clients are infringing on their software or related intellectual property, we could incur substantial costs to defend these claims, which could materially adversely affect our results of operations and financial condition. In addition, if any of our vendors' infringement claims are ultimately successful, our vendors could require us to (i) cease selling or using products or services that incorporate the challenged software or technology, (ii) obtain a license or additional licenses from our vendors or (iii) redesign our services which rely on the challenged software or technology. In addition, we may be exposed to claims for monetary damages. If we are unsuccessful in defending an infringement claim and our vendors require us to initiate any of the above actions, or we are required to pay monetary damages, then such actions could materially adversely affect our results of operations and financial condition.

If we underestimate the scope of work or the costs entailed in performing our contracts, or if we do not fully perform our contracts, our results of operations and financial condition could be materially adversely affected.

To stay competitive in our industry, we must keep pace with changing technologies and customer preferences. Many of our contracts require us to design, develop and implement new technological and operating systems for our customers. Many of these systems involve detailed and complex computer source code which must be created and integrated into a working system that meets contract specifications. The accounting for these contracts requires judgment relative to assessing risks, estimating costs to fulfill the contract and making assumptions for schedule and technical issues. To varying degrees, each contract type involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of our work could result, and in some instances has resulted, in reduced profits or in losses. In addition, many of our contracts contain complicated performance obligations, including, without limitation, designing and building new integrated computer systems. These contracts carry potential financial penalties or could result in financial damages or exposures if we fail to properly perform those obligations and have in the past resulted in and in the future could result in our results of operations and financial condition being materially adversely affected.

The loss of key senior management or the failure to attract and retain necessary technical personnel and qualified subcontractors could materially adversely affect our results of operations and financial condition.

Our success depends, in part, upon key managerial and technical personnel, including our ability to attract and retain additional qualified personnel, as well as qualified subcontractors. The loss of certain key personnel, such as our Chief Executive Officer (CEO), members of our executive team and other highly skilled employees, could materially adversely affect our results of operations and financial condition. There is no assurance that we can retain our key managerial personnel, or that we can attract similar employees, in the future.

In addition, because we operate in intensely competitive markets, our success depends to a significant extent upon our ability to attract, retain and motivate highly skilled and qualified technical personnel and to subcontract with qualified, competent subcontractors. If we fail to attract, train and retain sufficient numbers of qualified engineers, technical staff and sales and marketing representatives, or if we are unable to contract with qualified, competent subcontractors, our results of operations and financial condition could be materially adversely affected. Experienced and capable personnel in the services industry remain in high demand, and there is continual competition for their talents. Our ability to renegotiate certain of our legacy third-party contracts which we view as unfavorable, or to improve the service levels we expect from these contracts and third-party providers, is key to our ability to timely, efficiently and profitably deliver our services to our customers. Additionally, we have increased and expect to continue to increase our hiring in geographic areas outside of the United States, which could subject us to increased geopolitical and exchange rate risk. The loss of any key technical employee, the loss of a key subcontractor relationship or our inability to renegotiate or obtain required service levels from legacy and other third-party providers, could materially adversely affect our results of operations and financial condition.

If we fail to successfully develop new service offerings, including new technology components, and protect our intellectual property rights, we may be unable to retain current customers and gain new customers and our revenues would decline.

The process of developing new service offerings, including new technology components, is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. For example, establishing internal automation processes to help us develop new service offerings will require significant up-front costs and resources, which, if not monetized effectively, could materially adversely affect our revenues. In addition, some of our service offerings rely on technologies developed by and licensed from third-parties. We may not be able to obtain or continue to obtain licenses and technologies from these third-parties at all or on reasonable terms, or such third-parties may demand cross-licenses to our intellectual property. It is also possible that our intellectual property rights could be challenged, invalidated or circumvented, allowing others to use our intellectual property to our competitive detriment. We also must ensure that all of our service offerings comply with both existing and newly enacted regulatory requirements in the countries in which they are sold. If we fail to accurately anticipate and meet our customers' needs through the development of new service offerings (including technology components) or if we fail to adequately protect our intellectual property rights or if our new service offerings are not widely accepted or if our current or future service offerings fail to meet applicable worldwide regulatory requirements, we could lose market share and customers to our competitors and that could materially adversely affect our results of operations and financial condition.

The Company's business, operating results and reputation may be negatively impacted by failures or delays in our efforts to modernize our information technology infrastructure and to consolidate to fewer data centers.

We have experienced certain disruptions in our operations and service delivery performance issues because of some of our information technology infrastructure that is outdated and that needs to be enhanced and updated, which disruptions have adversely impacted client and delivery performance. As a result, we embarked on a long-term project to modernize a significant portion of our information technology infrastructure with new systems and processes and to consolidate our data centers. This project also includes investments in our data centers and networks, enhancement, modernization and consolidation of our IT infrastructure and customer-facing technologies, enhanced cybersecurity and movement to cloud-based technology. This project is ongoing and we expect that these changes will provide greater strategic and operational flexibility and efficiency and better control of our systems and processes. There is a risk, however, that our modernization efforts and data center consolidations could materially and adversely disrupt our operations and our service delivery to customers, could result in contractual penalties or damage claims from customers, could occur over a period longer than planned, and could require greater than

expected investment and other internal and external resources. It may also take longer to realize the intended favorable benefits from an enhanced technology infrastructure than we expected, or that disruptions may continue to occur while we enhance this infrastructure.

The process of consolidating our data center involves inherent risks and may cause disruptions to our operations. We are in the process of undertaking several data center migrations now and in the future and, during these data migrations, could potentially experience significant service outages. Future service disruptions could hinder our ability to attract new customers, cause us to incur legal liability, contractual penalties or issue service credits to our customers and cause us to lose current customers, each of which could have a material adverse effect on our business, results of operations and financial condition.

Our business has been and will continue to be negatively impacted by the ongoing coronavirus pandemic.

As a result of the COVID-19 pandemic, we have experienced and can be expected to continue to experience disruptions to our business, our operations, the delivery of our services and customer demand for our services and business offerings, including:

- **Work-from-home concerns:** The COVID-19 pandemic has led to the shifting of substantial services being performed by us for our customers to work-from-home alternatives, which have created added burdens, risks and costs, including but not limited to: the added cost and uncertainty created by a significant change in our delivery model; delays and disruptions resulting from organizing and implementing work-from-home solutions; customer protocols not allowing, without express customer waiver or permission, work-from-home alternatives, due to sensitivity of customer data, inclusion of personally identifiable information, cybersecurity and data security concerns, and other factors; delays and disruptions in providing customer services which may adversely affect our reputation and may in the future result in failure to satisfy customer contract requirements and other noncompliance issues; challenges in and cost of equipping work-from-home solutions with appropriate technology equipment and software, with suitable security protections; potential for increased cybersecurity and other data security issues; compliance with legal, regulatory, industry and customer standards and specifications; and increased logistical issues resulting from unexpected shift in service delivery model. As a result of these and other factors related to work-from-home solutions, we have experienced and can be expected to continue to experience delays and disruptions and an adverse impact on our business, operations, costs, satisfaction of customer requirements and operating results and financial condition.
- **Customer performance and demand:** The COVID-19 pandemic has impacted and may be expected to continue to adversely impact customer demand for our services and business offerings. Many of our customers have experienced and will continue to experience substantial disruption in their own operations and the COVID-19 pandemic has also resulted in greater customer uncertainty in their short-term and longer-term needs. In addition, under certain contracts we earn revenues based on the number of transactions processed, such as, for example, certain transportation and credit card processing arrangements where the number of transactions has decreased due to the COVID-19 pandemic. These and other pandemic-related factors have and will continue to adversely impact revenues, sales, new business opportunities, pricing and our sales pipeline.
- If we fail to satisfy a customer's requirements or specifications, we could incur additional costs to address such dissatisfaction or on account of such deficiency as well as receive notice of termination. The COVID-19 pandemic has had and can be expected to continue to have an impact on compliance and non-interruption of service under certain customer contractual requirements, and certain customer relationships can be expected to be adversely impacted, in addition to our incurring added costs in response to any deficiency.
- We rely on third parties to provide technology, other services and products we need to operate our business. Delays or interruption in the operations of third parties on which we rely may result in disruptions in our own operations and fulfillment of our customers' requirements.

We continue to monitor the latest developments regarding the pandemic. We are unable to predict the extent of any continued impact of the pandemic on our business, operations, and financial condition due to the uncertainty of future developments. Any future impacts will depend on, among other things, the further spread and duration of COVID-19, including the impact of variants and resurgences, the requirements to take action to help limit the spread of the illness, the availability, widespread distribution, and acceptance of vaccines and treatments for COVID-19 and the economic impacts of the pandemic, including recession and inflationary pressures. Even in those regions where

we have experienced business recovery, should those regions fail to fully contain COVID-19 or suffer a COVID-19 relapse, those markets may not recover as quickly or at all, which could have a material adverse effect on our business and results of operations. The impact of COVID-19 has also exacerbated and may continue to exacerbate other risks discussed herein, any of which could have a material effect on us. We do not yet know and cannot predict the full extent of potential impacts on our business, our services and business offerings or our operating results and financial condition.

Expectations relating to environmental, social and governance considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.

Many governments, regulators, investors, associates, clients and other stakeholders are increasingly focused on environmental, social and governance considerations relating to businesses, including climate change and greenhouse gas emissions, human rights, and diversity, equity and inclusion. In addition, the Company makes statements about its environmental, social and governance goals and initiatives through its corporate social responsibility report, its other non-financial reports, information provided on its website, press releases and other communications.

Responding to these environmental, social and governance considerations and implementation of these goals and initiatives involves risks and uncertainties, requires capital and operating investments, and depends in part on third-party performance, or data and changing regulatory schemes that are outside the Company's control. The Company cannot guarantee that it will achieve its announced environmental, social and governance goals and initiatives. In addition, some stakeholders may disagree with the Company's goals and initiatives. Any failure, or perceived failure, by the Company to achieve its goals, further its initiatives, adhere to its public statements, comply with federal, state or international environmental, social and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against the Company and could materially adversely affect the Company's business, ability to recruit and retain associates, reputation, results of operations, financial condition and stock price.

Legal, Compliance and Data Security Risks

We are subject to laws of the United States and foreign jurisdictions relating to individually identifiable information and personal health information, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and negatively impact our operations.

We receive, process, transmit and store information relating to identifiable individuals, both in our role as a service provider and as an employer. As a result, we are subject to numerous laws and regulations in the United States (both federal and state) and foreign laws and regulations designed to protect both individually identifiable information and personal health information, including the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA), and the regulations promulgated under HIPAA governing, among other things, the privacy, security and electronic transmission of individually identifiable health information, and the European Union General Data Protection Regulation (GDPR) (effective May 25, 2018), which imposes stringent data protection requirements and significant penalties for non-compliance and has had a significant impact on how we process and handle certain data.

Additional laws of the United States and foreign jurisdictions apply to our processing of individually identifiable information. These laws have been subject to frequent changes, and new legislation in this area may be enacted at any time. For example, the GDPR and the invalidation of the U.S.-EU Safe Harbor regime have required us to implement alternative mechanisms for some of our data flows from Europe to the United States to comply with applicable law. Changes to existing laws, the introduction of new laws in this area or our failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to obtain and process information and allegations by our customers and clients that we have not performed our contractual obligations, any of which could materially adversely affect our results of operations and financial condition.

We are subject to laws of the United States and foreign jurisdictions relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and materially adversely affect our results of operations and financial condition.

We process, support and execute financial transactions, and disburse funds, on behalf of both government and commercial customers, often in partnership with financial institutions. This activity includes receiving debit and credit card information, processing payments for and due to our customers and disbursing funds on payment or debit cards to payees of our customers. As a result, we are subject to numerous laws and regulations in the United States (both federal and state) and in foreign jurisdictions, including the Electronic Fund Transfer Act, as amended, the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (including the so-called Durbin Amendment), as amended, the Gramm-Leach-Bliley Act (also known as the Financial Modernization Act of 1999), as amended, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT ACT), as amended. Other United States (both federal and state) and foreign jurisdiction laws apply to our processing of certain financial transactions and related support services. These laws are subject to frequent changes, and new statutes and regulations in this area may be enacted at any time. Changes to existing laws, the introduction of new laws in this area or our failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines and civil and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process and support financial transactions and allegations by our customers, partners and clients that we have not performed our contractual obligations. Any of these could materially adversely affect our results of operations and financial condition.

Our data systems, information systems and network infrastructure may be subject to hacking or other cybersecurity threats and other service interruptions, which could expose us to liability, impair our reputation or temporarily render us unable to fulfill our service obligations under our contracts.

We are a leading provider of business processing services concentrated in transaction-intensive processing, analytics and automation. We act as a trusted business partner in both front-office and back-office platforms, providing interactions on a substantial scale with our customers and other third-parties. Our customers include global commercial clients and government clients who depend upon our operational efficiency, non-interruption of service, and accuracy and security of information. We also use third-party providers such as subcontractors, software vendors, utility providers and network providers, upon whom we rely for our business processing services, to deliver uninterrupted, secure service. As part of our business processing services, we also develop system software platforms necessary to support our customers' needs, with significant ongoing investment in developing and operating customer-appropriate operating systems, databases and system software solutions. We also receive, process, transmit and store substantial volumes of information relating to identifiable individuals, both in our role as a service provider and as an employer, and we are subject to numerous laws, rules and regulations in the United States (both federal and state) and foreign jurisdictions designed to protect both individually identifiable information as well as personal health information. We also receive, process and implement financial transactions, and disburse funds, on behalf of both commercial and government customers, which activity includes receiving debit and credit card information to process payments due to our customers as well as disbursing funds to payees of our customers. As a result of these and other business processing services, the integrity, security, accuracy and non-interruption of our systems and information technology and that of our third-party providers and our interfaces with our customers are extremely important to our business, operating results, growth, prospects and reputation.

We have implemented security systems and controls, both directly and with third-party subcontractors and service providers, with the intent of maintaining both the physical security of our facilities and the data security of our customers', clients' and suppliers' confidential information and information related to identifiable individuals (including payment card and debit and credit card information and health information) against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information. Despite such efforts, we are susceptible to breach of security systems which may result in unauthorized access to our facilities and those of our customers and/or the information we and our customers are trying to protect. Cybersecurity failure might be caused by computer hacking, malware, computer viruses, worms and other destructive software, "cyber-attacks" and other malicious activity, as well as natural disasters, power outages, terrorist attacks and similar events. Operational or business delays may also result from the disruption of network or information systems and subsequent remediation activities.

Because the techniques used to obtain unauthorized access are constantly changing and becoming increasingly more sophisticated and often are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or implement sufficient preventative measures. Hacking, malware, phishing, viruses and other “cyber-attacks” have become more prevalent, have occurred in our systems in the past, and may occur in our systems in the future. Although we have implemented and intend to continue to implement what we believe to be appropriate cyber practices and cybersecurity systems, these systems may prove to be inadequate and result in the disruption, failure, misappropriation or corruption of our network and information systems. Notwithstanding the preventative and protective measures we have in place, it may not be possible for us to fully or timely know if or when such incidents arise, or the full business impact of any cybersecurity breach.

Additionally, with advances in computer capabilities and data protection requirements to address ongoing threats, we may be required to expend significant capital and other resources to protect against potential security breaches or to alleviate problems caused by security breaches. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a defeat of our or our third-party service providers’ security measures and a breach of our or our third-party service providers’ information systems (whether digital, cloud-based or otherwise). In addition, the increased use of employee-owned devices for communications as well as work-from-home arrangements, present additional operational risks to our information technology systems, including, but not limited to, increased risks of cyber-attacks.

If unauthorized parties gain physical access to one of our or one of our third-party service providers’ facilities or gain electronic access to our or one of our third-party service providers’ information systems, such access could result in, among other things, unfavorable publicity and significant damage to our brand, governmental inquiry, oversight and possible regulatory action, difficulty in marketing our services, loss of existing and potential customers, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for substantial damages related to the theft or misuse of such information, any of which could materially adversely affect our results of operations and financial condition. Similar consequences may arise if sensitive or confidential information is misdirected, lost or stolen during transmission or transport, or is stolen or misused. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures that we employ to guard such personal information against “cyber-attacks” and to maintain various systems and data centers for our customers. Often these systems and data centers must be maintained worldwide and on a 24/7 basis. Although we endeavor to ensure that there is adequate backup and maintenance of these systems and centers, we have in the past experienced and in the future could experience service interruptions that could result in curtailed operations and loss of existing and potential customers, which could significantly reduce our revenues and profits in addition to significantly impairing our reputation. If our information systems and our back-up systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and we may suffer interruptions in our operations in the interim, each of which could materially adversely affect our results of operations and financial condition.

In addition, our and our customers’ systems and networks are subject to continued threats of terrorism, which could disrupt our operations as well as disrupt the utilities and telecommunications infrastructure on which our business depends. To the extent any such disruptions were to occur, our business, operating results and financial condition could be materially adversely affected. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security incidents, cyberattacks and other related incidents.

If we fail to meet industry data security standards, our ability to meet contractual obligations may be impaired and result in contractual damage or contract breach claims.

In some of our services lines, we are contractually subject to industry data security standards. These industry data security standards include Card Brand (Visa, Mastercard, American Express, Discover and JCB) operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard (PCI DSS), a data security standard applicable to companies that collect, store or transmit payment card data. Another industry standard is the Health Information Trust Alliance (HITRUST) which applies to aspects of the healthcare industry in addition to other industries. We take steps to achieve compliance and/or certification for our systems. In the future we may not be able to maintain compliance with PCI DSS, HITRUST and other applicable industry standards. Any failure to comply fully or materially with PCI DSS, HITRUST and other applicable industry standards now or at any point in the future may provide customers the right to terminate contracts with us or to enforce provisions obligating us to reimburse them for any penalties or costs incurred by

them as a result of our non-compliance, or subject us to other fines, penalties, damages or civil liability, each of which could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations and financial condition could be materially adversely affected by legal and regulatory matters.

We are potentially subject to various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities laws; governmental and non-governmental entity contracting, servicing and governmental entity procurement laws; intellectual property laws; environmental laws; employment laws; the Employee Retirement Income Security Act of 1974 (ERISA); and other laws, regulations and contractual undertakings, as discussed under Note 16 – Contingencies and Litigation to the Consolidated Financial Statements. If developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual or materially increase an existing accrual, or if any of these matters result in an adverse judgment or are settled for significant amounts above any existing accruals, it could materially adversely affect our results of operations and financial condition in the period or periods in which such change in determination, judgment or settlement occurs. There can be no assurances as to the favorable outcome of any claim, lawsuit, investigation or proceeding. It is possible that a resolution of one or more such proceedings, through judgment, settlement or otherwise, could require us to make substantial payments to satisfy judgments, fines or penalties or settlement amounts, any of which could materially adversely affect our results of operations and financial condition. Additionally, the terms of dismissal, settlement, release or other resolution may permit certain claims to be reopened under certain conditions. Claims, lawsuits investigations and proceedings involving the Company could also result in reputational harm, criminal sanctions, consent decrees or orders preventing us from offering certain services, requiring a change in our business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies, or make it more difficult to obtain adequate insurance in the future. In addition, it can be very costly to defend litigation and these costs could materially adversely affect our results of operations and financial condition. Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements.

While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

Financial Risks

We have recorded significant goodwill impairment charges and may be required to record additional charges to future earnings if our goodwill or intangible assets become impaired.

We are required under generally accepted accounting principles to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets and/or goodwill may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or our own operations, and/or other materially adverse events that have implications on the profitability of our business or business segments.

After completing the annual impairment test, the Commercial reporting unit experienced lower than expected new customer contract signings (all subsequent to November 1, 2022), and an unexpected softening of the future business pipeline for certain solutions. Management believed these were driven by macroeconomic conditions present in the fourth quarter of 2022. The combination of these factors led management, in December 2022, to review the Commercial reporting unit and further evaluate the portfolio. These factors triggered the need for management to perform a goodwill impairment assessment for this reporting unit as of December 31, 2022, which resulted in a pre-tax impairment charge of \$358 million.

Refer to Note 8 – Goodwill and Intangible Assets, Net to our Consolidated Financial Statements for additional information about our 2022 goodwill impairment.

While no additional impairments were identified in 2022, we may be required to record additional charges to earnings during the period in which any impairment of our goodwill or other intangible assets is determined which could adversely impact our results of operations. As of December 31, 2022, our goodwill balance was \$955 million, which represented 26.7% of total consolidated assets.

Our significant indebtedness could materially adversely affect our results of operations and financial condition.

We have and will continue to have a significant amount of debt and other obligations. Our substantial debt and other obligations could have important consequences.

For example, it could (i) increase our vulnerability to general adverse economic and industry conditions; (ii) limit our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other general corporate requirements; (iii) require us to dedicate a substantial portion of our cash flows from operations to service debt and other obligations thereby reducing the availability of our cash flows from operations for other purposes; (iv) limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; (v) place us at a competitive disadvantage compared to our competitors that have less debt; and (vi) become due and payable upon a change in control. If new debt is added to our current debt levels, these related risks could increase.

Our ability to make payments on and to refinance our indebtedness, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

The terms of our indebtedness may restrict our current and future operations, particularly our ability to incur debt that we may need to fund initiatives in response to changes in our business, the industries in which we operate, the economy and governmental regulations.

The terms of our indebtedness include several restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests. These may restrict our and our subsidiaries' ability to take some or all of the following actions:

- incur or guarantee additional indebtedness or sell disqualified or preferred stock;
- pay dividends on, make distributions in respect of, repurchase or redeem capital stock;
- make investments or acquisitions;
- sell, transfer or otherwise dispose of certain assets;
- create liens;
- enter into sale/leaseback transactions;
- enter into agreements restricting the ability to pay dividends or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our or our subsidiaries' assets;
- enter into transactions with affiliates;
- prepay, repurchase or redeem certain kinds of indebtedness;
- issue or sell stock of our subsidiaries; and/or
- significantly change the nature of our business.

As a result of all of these restrictions, we may be:

- limited in how we conduct our business and pursue our strategy;
- unable to raise additional debt financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

A breach of any of the restrictive covenants, if applicable, could result in an event of default under the terms of this indebtedness. If an event of default occurs, the lenders would have the right to accelerate the repayment of such debt and the event of default or acceleration may result in the acceleration of the repayment of any other of our debt to which a cross-default or cross-acceleration provision applies. Furthermore, under this indebtedness we have pledged our assets as collateral as security for our repayment obligations. If we were unable to repay any amount of this indebtedness when due and payable, the lenders could proceed against the collateral that secures this

indebtedness. In the event our creditors accelerate the repayment of our borrowings, we may not have sufficient assets to repay such indebtedness, which could materially adversely affect our results of operations and financial condition.

In addition, the Term Loan A, the Term Loan B, the Revolving Credit Facility and other borrowings under the Credit Agreement (as defined below) bear interest at a rate that varies depending on LIBOR. On March 5, 2021, the Financial Conduct Authority of the U.K., which regulates LIBOR, announced (the "FCA Announcement") that all LIBOR tenors will cease to be published or will no longer be representative after June 30, 2023. The FCA Announcement coincides with the March 5, 2021 announcement of LIBOR's administrator, the ICE Benchmark Administration Limited (the "IBA"), indicating that, as a result of not having access to input data necessary to calculate LIBOR tenors on a representative basis after June 30, 2023, the IBA would have to cease publication of such LIBOR tenors immediately after the last publication on June 30, 2023. The United States Federal Reserve has also advised banks to cease entering into new contracts that use USD LIBOR as a reference rate. The Federal Reserve, in conjunction with the Alternative Reference Rate Committee (the "ARRC"), a committee convened by the Federal Reserve that includes major market participants, has identified the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities, as its preferred alternative rate for LIBOR. On July 29, 2021, the ARRC formally recommended SOFR as its preferred alternative replacement rate for LIBOR. On July 29, 2021, the ARRC also recommended a forward-looking term rate based on SOFR published by CME Group. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere. Alternative reference rates that may replace LIBOR, including SOFR for USD transactions, may not yield the same or similar economic results as LIBOR over the lives of such transactions. There can be no guarantee that SOFR will become the dominant alternative to USD LIBOR or that SOFR will be widely used and other alternatives may or may not be developed and adopted with additional consequences. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate. Pursuant to the terms of the Credit Agreement, on June 30, 2023, we expect that the LIBOR interest rate applicable to Term Loan A, Term Loan B, the Revolving Credit Facility and other borrowings thereunder will be replaced by a new interest rate benchmark equal to the sum of (i) Term SOFR (the ARRC-recommended, SOFR-based forward-looking term rate for any period that is approximately as long as the related interest period) plus (ii) for each tenor of LIBOR being replaced, the fixed spread adjustment recommended by the ARRC. There is no assurance that such a successor reference rate will be similar to, or produce the same value or economic equivalence of, LIBOR and the new rates may not be as favorable to us as those in effect prior to any LIBOR phase-out. LIBOR related changes, including unforeseen effects, may negatively impact costs of borrowings under our credit facilities or future financing efforts, which could have an adverse effect on our results of operations, cash flow and liquidity.

The failure to obtain or maintain a satisfactory credit rating and financial performance could adversely affect our liquidity, capital position, borrowing costs, access to capital markets and our need or ability to post surety or performance bonds to support clients' contracts.

Any future downgrades to our credit rating or perceived or actual weakness in our financial performance could negatively impact our ability to renew contracts with our existing clients and vendors, limit our ability to compete for new clients, result in increased premiums for surety or performance bonds and letters of credit to support our clients' contracts, reduce our ability to obtain surety bonds, performance bonds and letters of credit and/or result in a requirement that we provide collateral to secure our surety or performance bonds and letters of credit. Further, certain of our commercial outsourcing contracts provide that, in the event our credit ratings are downgraded to specified levels, the client may elect to terminate its contract with us and either pay a reduced termination fee or, in some limited instances, no termination fee. Such a credit rating downgrade or perceived or actual weakness in our financial performance could adversely affect these client relationships.

There can be no assurance that we will be able to maintain our credit ratings or financial performance. Any additional actual or anticipated downgrades of our credit ratings, including any announcement that our ratings are under review for a downgrade, or perceived or actual weak financial performance may have a negative impact on our liquidity, capital position, access to capital markets and ability to obtain surety bonds, performance bonds and letters of credit sufficient to support our existing and future business needs.

Our profitability is dependent upon our ability to obtain adequate pricing for our services and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our services that will provide a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our services may decline from previous levels. If we are unable to obtain adequate pricing for our services, it could materially adversely affect our results of operations and financial condition. In addition, our contracts are increasingly requiring tighter timelines for implementation as well as more stringent service level metrics. This makes the bidding process for new contracts much more difficult and requires us to adequately consider these requirements in the pricing of our services.

To meet the service requirements of our customers, which often includes 24/7 service, and to optimize our employee cost base, including our back-office support, we often locate our delivery service and back-office support centers in lower-cost locations, including several developing countries. Concentrating our centers in these locations presents several operational risks, many of which are beyond our control, including the risks of political instability, natural disasters, safety and security risks, labor disruptions, excessive employee turnover and rising labor rates. Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of such centers outside of the United States could materially adversely affect our results of operations and financial condition. These risks could impair our ability to effectively provide services to our customers and keep our costs aligned to our associated revenues and market requirements.

Our ability to sustain and improve profit margins is dependent on a number of factors, including our ability to continue to improve the cost efficiency of our operations through such programs as robotic process automation, to absorb the level of pricing pressures on our services through cost improvements, our ability to hire and retain employees in the current global labor markets and to successfully complete information technology initiatives. If any of these factors adversely materialize or if we are unable to achieve and maintain productivity improvements through restructuring actions or information technology initiatives, our ability to offset labor cost inflation and competitive price pressures would be impaired, each of which could materially adversely affect our results of operations and financial condition.

If we are unable to collect our receivables for billed or unbilled services, our results of operations and financial condition could be materially adversely affected.

The profitability of certain of our large contracts depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. Actual losses on client balances could differ from current estimates and, as a result, may require adjustment of our receivables for unbilled services. Our receivables include long-term contracts. Over the course of a long-term contract, our customers' financial condition may change such that their ability to pay their obligations, and our ability to collect our fees for services rendered, is adversely affected. Additionally, we may perform work for the federal, state and local governments, with respect to which we must file requests for equitable adjustment or claims with the proper agency to seek recovery in whole or in part, for out-of-scope work directed or caused by the government customer in support of its project, and the amounts of such recoveries may not meet our expectations or cover our costs. Timely collection of client balances also depends on our ability to complete our contractual commitments (such as our ability to achieve specified milestones in percentage-of-completion contracts) and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and financial condition could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our results of operations and financial condition could be materially adversely affected.

A decline in revenues from or a loss or failure of significant clients could materially adversely affect our results of operations and financial condition.

Our results of operations and financial condition could be materially adversely affected by the loss or failure of significant clients or any significant reduction in revenue volumes from our significant clients, which has occurred in the past and could occur in the future. Some of our clients are in business sectors which have experienced significant financial difficulties or consolidation, and/or the reduction of volumes or their inability to make payments to us, as a result of, among other things, their merger or acquisition, divestiture of assets or businesses, contract expiration, nonrenewal or early termination (including termination for convenience) or business or financial failure or deterioration. Economic and political conditions could affect our clients' businesses and the markets they serve.

Competition from other service providers and bringing these services in-house could also be expected to adversely impact our revenues.

We have non-recurring revenue, which subjects us to a risk that our revenues and cash flows from operations may fluctuate from period to period.

Revenue generated from our non-recurring services may fluctuate due to factors both within and outside of our control. Our mix of non-recurring and recurring revenues is impacted by acquisitions as well as growth in our non-recurring lines of business, as well as our strategic decisions to exit or reduce our services in particular service areas. There is less predictability and certainty in the timing and amount of revenues generated by our non-recurring services and, accordingly, our results of operations and financial condition could be materially adversely affected by the timing and amount of revenues generated from our non-recurring services.

Increases in the cost of voice and data services or significant interruptions in such services could materially adversely affect our results of operations and financial condition.

Our business is significantly dependent on voice and data services provided by various communication and data service providers around the world. Accordingly, any disruption of these services could materially adversely affect our results of operations and financial condition. We have taken steps to mitigate our exposure to service disruptions by investing in redundant circuits, although there is no assurance that the redundant circuits would not also suffer disruption. Any inability to obtain voice or data services at favorable rates could materially adversely affect our results of operations and financial condition. Where possible, we have entered into long-term contracts with various providers to mitigate short-term rate increases and fluctuations. There is no obligation, however, for the vendors to renew their contracts with us, or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control. A significant increase in the cost of voice or data services that is not recoverable through an increase in the price of our services could materially adversely affect our results of operations and financial condition. In addition, a number of our facilities are located in jurisdictions outside of the United States where the provision of utility services, including electricity and water, may not be consistently reliable, and while there are backup systems in many of our operating facilities, an extended outage of utility or network services could materially adversely affect our results of operations and financial condition.

We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries.

Our principal assets are the shares of capital stock and indebtedness of our subsidiaries. We rely on dividends, interest and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, paying corporate expenses and, if determined by our Board of Directors, paying dividends to shareholders and repurchasing common shares. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that these subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions or other circumstances that could restrict the ability of our subsidiaries to pay dividends to us. In addition, due to differences in tax rates, repatriation of funds from certain countries into the United States could have unfavorable tax ramifications for us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We lease and own numerous facilities worldwide with larger concentrations of space in Kentucky, New Jersey, Texas, Guatemala, India, the Philippines, Jamaica and the Netherlands. Our owned and leased facilities house general offices, sales offices, service locations, call centers and distribution centers. The size of our property portfolio as of December 31, 2022 was approximately 5.6 million square feet at an annual operating cost (lease costs and expenses) of approximately \$138 million and was composed of 193 leased properties and 4 owned properties. We believe that our current facilities are suitable and adequate for our current businesses. Because of the interrelation of our business segments, each of the segments uses substantially all of these properties at least in part.

We had 0.5 million square feet of our leased properties that became surplus in 2022 due to the implementation of our efficiency initiatives to consolidate our real estate footprint. We aggressively managed our surplus properties through lease terminations, subleases and consolidation of properties. As a result, approximately 0.5 million square feet of the surplus property portfolio were resolved during the year ended December 31, 2022. Additional leased and owned properties may become surplus in the future as we continue to optimize our workforce location strategy based on existing conditions and leverage enhanced work-from-home capabilities. We are obligated to maintain our leased surplus properties through required contractual lease periods and plan to dispose of or sublease these properties.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under Note 16 – Contingencies and Litigation to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Exchange Information

The common stock of Conduent began trading on January 3, 2017, on the New York Stock Exchange, under the ticker "CNDT". In December 2019, Conduent changed the listing of its publicly traded common stock from the New York Stock Exchange to the Nasdaq, where it remains listed under the ticker "CNDT".

Common Shareholders of Record

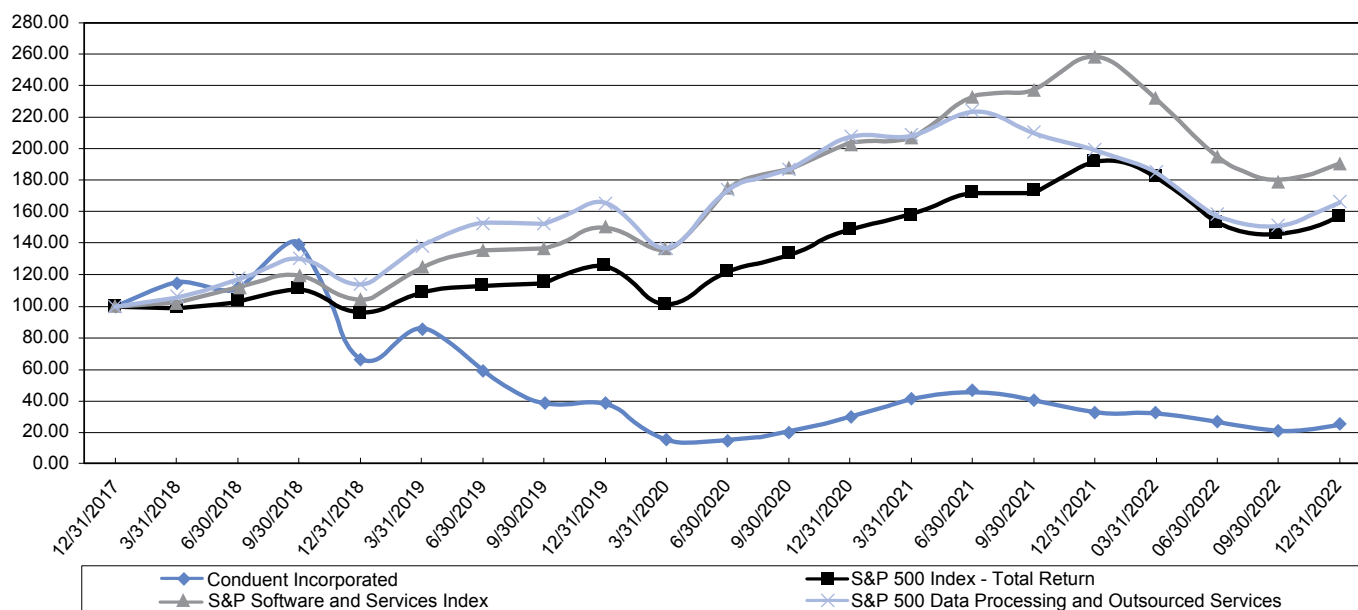
There were 14,639 shareholders of record as of January 31, 2023.

Conduent Common Stock Dividends

We did not pay any dividends on our common stock in 2022. We intend to retain future earnings for use in the operation of our business and to fund future growth. We do not anticipate paying any dividends on our common stock for the foreseeable future.

Performance Graph

Comparison of 60 Month Cumulative Total Return
Assumes Initial Investment of \$100
December 2022



Historically, we have presented the S&P Software and Services Index as our published industry index. Effective March 2023, our Company's industry classification will change and we have selected the S&P 500 Data Processing and Outsourced Services index as a more appropriate index. For this fiscal year only, we are presenting both indices in the graph above for comparative purposes to prior fiscal year graphs.

Sales of Unregistered Securities During the Quarter Ended December 31, 2022

None

Securities Authorized for Issuance Under Existing Equity Compensation Plans

Information about securities authorized for issuance under existing equity compensation plans is incorporated by reference from Item 12—Securities Authorized for Issuance Under Existing Equity Compensation Plans.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis (MD&A) is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. Our MD&A is presented in six sections:

- Overview;
- Financial Information and Analysis of Results of Operations;
- Metrics;
- Capital Resources and Liquidity;
- Critical Accounting Estimates and Policies; and
- Recent Accounting Changes.

This MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes in this Form 10-K for the year ended December 31, 2022. This MD&A provides additional information about our operations, current developments, financial condition, cash flows and results of operations.

The year-over-year comparisons in this MD&A are as of and for the years ended December 31, 2022 and 2021, unless stated otherwise. The discussion of 2021 results and related year-over-year comparisons as of and for the years ended December 31, 2021 and 2020 are found in Item 7 of Part II of our Form 10-K for the year ended December 31, 2021.

Throughout the MD&A, we refer to various notes to our Consolidated Financial Statements which appear in Item 8 of this Form 10-K, and the information contained in such notes is incorporated by reference into the MD&A in the places where such references are made.

Overview

With revenues of \$3.9 billion, we are a leading provider of business process services with expertise in transaction-intensive processing, analytics and automation. We serve as a trusted business partner in both the front office and back office, enabling personalized, seamless interactions on a massive scale that improve end-user experience.

Headquartered in Florham Park, New Jersey, we have a team of approximately 62,000 people as of December 31, 2022, servicing customers from service centers in 25 countries. In 2022, 10% of our revenue was generated outside the U.S.

Our reportable segments correspond to how we organize and manage the business and are aligned to the industries in which our clients operate. These three segments are:

- **Commercial** – Our Commercial segment provides business process services and customized solutions to clients in a variety of commercial industries. Across the Commercial segment, we operate on our clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for our clients and their consumers and employees.
- **Government** – Our Government segment provides government-centric business process services to U.S. federal, state and local and foreign governments for public assistance, health services, program administration, transaction processing and payment services. The solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations.
- **Transportation** – Our Transportation segment provides systems, support, and revenue-generating solutions to government transportation agency clients. We deliver mission-critical public safety, mobility and digital payment solutions that streamline operations, increase revenue and reduce congestion while creating safe, seamless travel experiences for consumers and have a positive impact on the environment.

Significant 2022 Actions

- **Disposition and Portfolio Review** – On February 8, 2022, we closed a transaction with Symplr Software, Inc. to sell our Midas suite of patient safety, quality and advanced analytics solutions (Midas business) for cash consideration of \$322 million resulting in a pre-tax gain of \$166 million. The Midas business represented approximately \$7 million, \$70 million and \$72 million of revenue in 2022, 2021 and 2020, respectively. Refer to Note 4 – Assets/Liabilities Held for Sale and Divestiture in the Consolidated Financial Statements for additional information. During the fourth quarter, we concluded our long-range planning processes which included a full evaluation of our portfolio of solutions and identified incremental opportunities to streamline the portfolio.
- **New Business Signings** – In 2022 we introduced a new primary signings metric Annual Contract Value (ACV), which provides more focus on the near-term revenue generation of new business signings as compared to the traditional view of Total Contract Value (TCV). This ACV metric has increased sequentially each quarter in 2022, totaling \$724 million in 2022, an increase of 16.8% versus 2021 excluding the impact of Government stimulus payments.
- **Strategic Growth Efforts** – During the latter part of 2022, we dedicated a small number of senior associates with the mission to accelerate future revenue growth by selling existing solutions into new and adjacent markets and geographies. The results of this action are becoming visible, for example, by the collaboration with a major bank to launch a Digital Payments Hub delivering faster, easier, and more secure payments.
- **Operational Service Levels** – We continue to make significant improvements with our operational and technology service levels, and while we will always believe there is room for improvement in these areas, we have reached a standard consistent with the markets that we operate in. These operational improvements together with the significant progress being made in closing out major litigation cases, position us well with a solid foundation to embark on the next chapter of our journey.

Significant 2021 Actions

- **Stabilizing Revenue** – Revenue of \$4,140 million for the year ended December 31, 2021 was a decline of 0.55%, a significantly improved trend compared with the prior year.
- **Strong Net Annual Recurring Revenue (ARR) Activity results** – In the fourth quarter of 2020, we introduced the Net ARR Activity metric, a trailing twelve-month metric that measures the revenue from recurring services provided to a client inclusive of all new business annual recurring revenue, notification of lost clients and contractual impacts to price and volume. We have seen steady positive growth in this metric from \$60 million in the fourth quarter of 2020 to \$128 million in the fourth quarter of 2021, an increase of 113%. This increase was driven by new business ARR signings of \$402 million for the year ended December 31, 2021, an increase of 16% compared to that of the prior year, and stronger retention of existing clients.
- **Debt Refinancing** – On October 15, 2021, we closed on a debt refinancing which extended our maturity profile. The debt refinancing transactions were as follows:
 - Term Loan A due 2026 in the amount of \$265 million;
 - Term Loan B due 2028 in the amount of \$515 million;
 - Senior Notes due 2029 in the amount of \$520 million; and
 - Revolving Credit Facility maturing 2026 in the amount of \$550 million.

Upon closing the debt refinancing, \$100 million was borrowed under the new Revolving Credit Facility. The net proceeds of the new Term Loan A, Term Loan B, Senior Notes and \$100 million of borrowing under the Revolving Credit Facility were used to repay the borrowings under the previous credit facilities that were outstanding on October 15, 2021. This \$100 million was repaid on February 11, 2022. Refer to Note 11 – Debt to the Consolidated Financial Statements for definition of 2016 Credit Facilities and additional information on the debt refinancing.

- **Global Labor Market Dynamics** – To address the significant change in the labor market environment, we responded by strengthening our talent acquisition organization and processes and maintaining an appropriate mix of work-from-home and work-from-office roles, which has resulted in increasing hire rates and improved ratings on Comparably and Glassdoor.

Macroeconomic and Geopolitical Uncertainty

Given the nature of our business and our global operations, the effects of global macroeconomic and geopolitical uncertainty, including COVID-19 pandemic related factors (as discussed in more detail below) could have a materially adverse effect on our business, results of operations and financial condition.

Financial Information

The section below provides a comparative discussion of our consolidated results of operations for the year ended December 31, 2022 and 2021. See Item 7. MD&A—Financial Information in our Annual Report on Form 10-K for the year ended December 31, 2021, for a comparative discussion of our consolidated results of operations between 2021 and 2020.

(in millions)	Year Ended December 31,		2022 vs. 2021	
	2022	2021	\$ Change	% Change
Revenue	\$ 3,858	\$ 4,140	\$ (282)	(7)%
Operating Costs and Expenses				
Cost of services (excluding depreciation and amortization)	3,018	3,138	\$ (120)	(4)%
Selling, general and administrative (excluding depreciation and amortization)	440	544	\$ (104)	(19)%
Research and development (excluding depreciation and amortization)	7	4	3	75 %
Depreciation and amortization	230	352	(122)	(35)%
Restructuring and related costs	39	45	(6)	(13)%
Interest expense	84	55	29	53 %
Loss on extinguishment of debt	—	15	(15)	n/m
Goodwill impairment	358	—	358	n/m
(Gain) loss on divestitures and transaction costs, net	(158)	3	(161)	(5,367)%
Litigation settlements (recoveries), net	(32)	3	(35)	(1,167)%
Other (income) expenses, net	(1)	6	(7)	(117)%
Total Operating Costs and Expenses	3,985	4,165	(180)	
Income (Loss) Before Income Taxes	(127)	(25)	(102)	
Income tax expense (benefit)	55	3	52	
Net Income (Loss)	\$ (182)	\$ (28)	\$ (154)	

Revenue

Revenue for 2022 decreased 7%, compared to the prior year. This is primarily due to lower federal stimulus revenue in the Government segment, lost business from prior years, the impact of the disposition of the Midas business, as well as negative foreign exchange translation impact, partially offset by higher interest rates positively impacting our BenefitWallet business, and the ramp of new business.

Cost of Services (excluding depreciation and amortization)

Cost of services for 2022 decreased 4%, compared to the prior year, mainly driven by lost business from prior years, the disposition of the Midas business, increased operational efficiency and favorable foreign exchange translation impact. The decrease in cost was less than the decrease in revenue due to lower federal stimulus revenue which had a higher margin.

Selling, General and Administrative (SG&A) (excluding depreciation and amortization)

SG&A for 2022 decreased 19%, compared to the prior year, driven by the recovery of \$14 million of defense costs as part of the settlement with insurance carriers relating to the previously disclosed State of Texas matter, progress in our efficiency initiatives, most notably within shared technology infrastructure, as well as lower variable employee costs. The prior year also included \$32 million of costs related to an abandonment of an internal project initiated in 2018. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for additional information on the abandonment of the internal project and Note 16 – Contingencies and Litigation for additional information on the State of Texas matter.

Depreciation and Amortization

Depreciation and amortization for 2022 decreased 35%, compared to the prior year, primarily due to a portion of certain customer relationship intangible assets being fully amortized in the first quarter of 2022.

Restructuring and Related Costs

We engage in a series of restructuring programs related to downsizing our employee base, reducing our real estate footprint, exiting certain activities, outsourcing certain internal functions, consolidating our data centers and engaging in other actions designed to reduce our cost structure and improve productivity. The following are the components of our Restructuring and related costs:

(in millions, except headcount in whole numbers)	Year Ended December 31,	
	2022	2021
Severance and related costs	\$ 14	\$ 8
Data center consolidation	10	23
Termination and asset impairment costs	13	10
Total Net Current Period Charges	37	41
Consulting and other costs ⁽¹⁾	2	4
Restructuring and Related Costs	\$ 39	\$ 45
Reduction in headcount ⁽²⁾	800	400

(1) Represents professional support costs associated with certain strategic transformation programs.

(2) Relates to approximate headcount reductions worldwide associated with Severance and related costs

Refer to Note 9 – Restructuring Programs and Related Costs to the Consolidated Financial Statements for additional information regarding our restructuring programs.

Interest Expense

Interest expense represents interest on long-term debt and the amortization of debt issuance costs. On October 15, 2021, we completed the refinancing of our previously outstanding debt, which extended the maturity profile of our debt. The increase in Interest expense for 2022, compared to the prior year, was driven primarily by higher interest rates on our refinanced credit facilities, partially offset by a lower total outstanding debt balance. Refer to Note 11 – Debt to the Consolidated Financial Statements for additional information.

Goodwill Impairment

The goodwill impairment for 2022 related to the write-down of the carrying value of the Commercial reporting unit. Refer to Note 8 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for additional information.

(Gain) Loss on Divestitures and Transaction Costs

The divestiture of the Midas business in the first quarter of 2022 resulted in a pre-tax gain of \$166 million. Additionally, professional fees and other costs related to certain consummated and non-consummated transactions considered by us are included in this financial statement line item.

Litigation Settlements (Recoveries), Net

Litigation settlements (recoveries), net for 2022 primarily consisted of \$24 million of insurance recoveries recorded in the first quarter of 2022 related to the previously disclosed State of Texas matter. Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information.

Other (Income) Expenses, Net

Other (income) expenses, net for 2022 and 2021 primarily includes interest income on cash investments and foreign currency transaction losses (gains). 2021 also included an impairment loss on an equity investment.

Income Taxes

The 2022 effective tax rate was (43.9)%, compared to (9.7)% for 2021. The 2022 rate was negative and lower than the U.S. statutory rate of 21% due to pre-tax book loss and an increase in taxes due to the geographic mix of income, and non-deductible expenses primarily driven by book and tax basis differences in the Midas divestiture goodwill and the Commercial reporting unit goodwill impairment. The 2021 rate was lower than the U.S. statutory rate of 21%, primarily due to the geographic mix of income, valuation allowances, non-deductible expenses and tax settlement adjustments, partially offset by tax credits.

Excluding the impact of amortization, restructuring, the divestiture of the Midas business, insurance recoveries, goodwill impairment and discrete tax items, the normalized effective tax rate for 2022 was 34.3%. The 2021 rate was 26.6% excluding the impact of amortization, restructuring and discrete tax items. The increase in the normalized effective tax rate is primarily due to the mix of book pre-tax income weighted more heavily in 2022 towards foreign jurisdictions with higher tax rates and losses in jurisdictions with valuation allowances.

In recent years, government agencies and global organizations have had an increased focus on the issues of taxation of multinational corporations. During 2021, following a framework agreement reached between almost all member countries of the Organization for Economic Co-operation and Development (OECD) the OECD released rules around global taxation of the digital services businesses and a global minimum tax rate, commonly referred to as Pillar 1 and Pillar 2 of the Base Erosion and Profit Shifting (BEPS) initiative, respectively. Pillar 1 addresses the broader challenge of a digitalized economy and focuses on the allocation of group profits among taxing jurisdictions based on a market-based concept rather than historical “permanent establishment” concepts. Pillar 1 is directed at companies with revenues greater than 20 billion Euro and is not applicable to Conduent. Pillar 2 addresses the remaining BEPS risk of profit shifting to entities in low-tax jurisdictions by introducing a global minimum tax rate and a proposed withholding tax on certain base eroding payments. Pillar 2 may have limited application to Conduent, but we do not anticipate a material impact based on current guidance. On December 15, 2022, EU member states unanimously adopted the Minimum Tax Directive of Pillar 2. Member states have until December 31, 2023 to transpose the Minimum Tax Directive into national legislation.

Operations Review of Segments

Our financial performance is based on Segment Profit (Loss) and Segment Adjusted EBITDA for the following three segments:

- Commercial,
- Government, and
- Transportation.

Other includes our divestitures and our Student Loan business, which the Company exited in the third quarter of 2018.

Unallocated Costs includes IT infrastructure costs that are shared by multiple reportable segments, enterprise application costs and certain corporate overhead expenses not directly attributable or allocated to our reportable segments.

The section below provides a comparative discussion of our financial performance by segment between the years ended December 31, 2022 and 2021. See Item 7. MD&A - Operations Review of Segments in our Annual Report on Form 10-K for the year ended December 31, 2021 for a comparative discussion of our consolidated results of operations by segment between 2021 and 2020.

Segment Performance Review

(in millions)	Commercial	Government	Transportation	Other		Unallocated Costs	Total
Year Ended Dec 31, 2022				Divestitures	Other		
Total Revenue	\$ 1,992	\$ 1,150	\$ 709	\$ 7	\$ —	\$ —	\$ 3,858
Segment profit (Loss)	\$ 124	\$ 294	\$ 49	\$ 2	\$ —	\$ (293)	\$ 176
Adjusted EBITDA	\$ 226	\$ 331	\$ 84	\$ 2	\$ —	\$ (247)	\$ 396
% of Total Revenue	51.6 %	29.8 %	18.4 %	0.2 %	— %	— %	100.0 %
Adjusted EBITDA Margin	11.3 %	28.8 %	11.8 %	28.6 %	— %	— %	10.3 %
Year Ended Dec 31, 2021							
Total Revenue	\$ 2,017	\$ 1,307	\$ 746	\$ 70	\$ —	\$ —	\$ 4,140
Segment profit (Loss)	\$ 95	\$ 409	\$ 72	\$ 32	\$ 1	\$ (372)	\$ 237
Adjusted EBITDA	\$ 193	\$ 437	\$ 106	\$ 39	\$ 1	\$ (289)	\$ 487
% of Total Revenue	48.7 %	31.6 %	18.0 %	1.7 %	— %	— %	100.0 %
Adjusted EBITDA Margin	9.6 %	33.4 %	14.2 %	55.7 %	— %	— %	11.8 %

(in millions)	Year Ended December 31,		
Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)	2022	2021	2020
Income (Loss) Before Income Taxes	\$ (127)	\$ (25)	\$ (139)
Reconciling items:			
Amortization of acquired intangible assets	13	135	239
Restructuring and related costs	39	45	67
Interest expense	84	55	60
Loss on extinguishment of debt	—	15	—
Goodwill impairment	358	—	—
(Gain) loss on divestitures and transaction costs, net	(158)	3	17
Litigation settlements (recoveries), net	(32)	3	20
Other (income) expenses, net	(1)	6	1
Segment Pre-Tax Income (Loss)	\$ 176	\$ 237	\$ 265
Segment depreciation and amortization	220	218	222
CA MMIS charge (credit)	—	—	(7)
Abandonment of internal project	—	32	—
Other adjustments	—	—	—
Adjusted EBITDA	\$ 396	\$ 487	\$ 480

Commercial Segment

Revenue

Commercial revenue for 2022 decreased, compared to the prior year, due to the impact of our largest client normalizing to lower post pandemic call volumes, the merger of two of our clients resulting in lower volumes as well as unfavorable exchange rate movement, partially offset by higher interest rates positively impacting our BenefitWallet business, recognition of the revenue benefit associated with a minimum annual volume commitment contract with a large client and strong net new business ramp.

Segment Profit and Adjusted EBITDA

Increases in the Commercial segment profit and adjusted EBITDA for 2022, compared to the prior year, were mainly driven by higher interest rates positively impacting our BenefitWallet business, recognition of the revenue benefit associated with a minimum annual volume commitment contract with a large client, increased operational efficiency and expense reductions resulting from progress in our efficiency initiatives more than offsetting the dynamics of a challenging labor market in certain geographies. Revenue mix also had a slightly negative impact on segment margin where we had strong signings in our Customer Experience Management service solution, which has slightly lower margins.

Government Segment

Revenue

Government revenue for 2022 decreased, compared to the prior year, primarily driven by significantly lower federal stimulus revenue, while increases in volume, price and new business substantially offset lost business from prior years.

Segment Profit and Adjusted EBITDA

Decreases in the Government segment profit and adjusted EBITDA for 2022, compared to the prior year, were mainly driven by lower Federal stimulus revenue.

Transportation Segment

Revenue

Transportation revenue for 2022 decreased, compared to the prior year, driven by unfavorable exchange rate movement, particularly the Euro, slower implementation of new business contracts, and a one-time revenue benefit in the prior year period.

Segment Profit and Adjusted EBITDA

Transportation segment profit and adjusted EBITDA for 2022 decreased, compared to the prior year, driven by a one-time item benefiting the prior year period, the impact of net new and lost business, as well as the impact of unfavorable exchange rate movement.

Other

Revenue, Segment Profit (Loss) and Adjusted EBITDA

The decline in revenue, segment profit and Adjusted EBITDA for 2022 was primarily due to the sale of the Midas business. The current year includes slightly more than one month of activity versus the prior year, which includes a full twelve months of activity.

Unallocated Costs

The decrease in segment loss is primarily due to a portion of the recovery of defense costs as part of the settlement with insurance carriers relating to the previously disclosed State of Texas and shareholder matters which was allocated to SG&A, progress with our efficiency initiatives and lower variable employee costs, as well as \$32 million of costs related to the abandonment of an internal project recorded in the prior year.

Metrics

Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. TCV is the estimated total contractual revenue related to signed contracts. TCV signings is defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. Due to the inconsistency of when existing contracts end, quarterly and yearly comparisons are not a good measure of renewal performance. New business ACV is calculated as TCV divided by the contract term, in months, multiplied by 12 for an annual measure.

For the year ended December 31, 2022, the Company signed \$732 million of new business ACV, up 1% from the prior year, primarily due to strong signings in Government Healthcare Solutions and Customer Experience Management being partially offset by \$106 million of federal stimulus signings in the prior year.

For the year ended December 31, 2022, the Company signed \$1,887 million of new business TCV, representing a 11% increase compared to the prior year. Renewal TCV for the year ended December 31, 2022 was \$2,477 million, a decrease of 13% compared to the prior year due to timing on renewals; however the renewal rate for the year ended December 31, 2022 was consistent with the prior year.

The amounts in the following table exclude the impact of divestitures.

(in millions)	Year Ended December 31,		2022 vs. 2021	
	2022 ⁽³⁾	2021 ⁽³⁾	\$ Change	% Change
New business ACV	\$ 732	\$ 726	\$ 6	1 %
New business TCV	\$ 1,887	\$ 1,705	\$ 182	11 %
Renewals TCV	2,477	2,835	(358)	(13)%
Total Signings	<u>\$ 4,364</u>	<u>\$ 4,540</u>	<u>\$ (176)</u>	<u>(4)%</u>
New business annual recurring revenue (ARR) signings ⁽¹⁾	\$ 403	\$ 402	\$ 1	— %
New business non-recurring revenue (NRR) signings ⁽²⁾	\$ 444	\$ 351	\$ 93	26 %

(1) New business ARR measures the revenue from recurring services provided to the client for any new business signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term.

(2) New business NRR measures the non-recurring revenue for any new business signing, including (i) signing value of any contract with term less than 12 months and (ii) signing value of project based revenue, not expected to continue long term.

(3) Adjusted to remove Midas new business signings. In addition, 2021 amounts have been revised to exclude a large client we no longer consider in these metrics.

The total new business pipeline at the end of December 31, 2022 and 2021 was \$22.6 billion and \$21.4 billion, respectively. Total new business pipeline is defined as total new business TCV pipeline of deals in all sell stages. This extends past the next twelve-month period to include total pipeline, excluding the impact of divested business as required.

Net ARR Activity

The Net ARR Activity metric is defined as Projected Annual Recurring Revenue for contracts signed in the prior 12 months, less the annualized impact of any client losses, contractual volume and price changes, and other known impacts for which the Company was notified in that same time period, which could positively or negatively impact results. The metric annualizes the net impact to revenue. Timing of revenue impact varies and may not be realized within the forward 12-month timeframe. The metric is for indicative purposes only. This metric excludes COVID-related volume impacts and non-recurring revenue signings. This metric is not indicative of any specific 12-month timeframe.

The Net ARR Activity metric for the trailing twelve months for each of the prior five quarters was as follows:

(in millions)	
December 31, 2022	\$ 114
September 30, 2022	70
June 30, 2022	104
March 31, 2022	102
December 31, 2021	128

Capital Resources and Liquidity

As of December 31, 2022 and 2021, total cash and cash equivalents were \$582 million (of which approximately \$111 million was cash in foreign locations) and \$415 million (of which approximately \$132 million was cash in foreign locations), respectively. We also have a \$550 million Revolving Credit Facility for our various cash needs, of which none has been utilized for borrowings and \$2 million has been utilized for letters of credit as of December 31, 2022. On February 11, 2022, we repaid the then-outstanding borrowing under the Revolving Credit Facility of \$100 million.

As of December 31, 2022, there was a total of \$1,282 million of outstanding borrowings under our Term Loan A, Term Loan B and Senior Notes, of which \$18 million was due within one year. Refer to Note 11 – Debt to the Consolidated Financial Statements for additional information regarding our debt.

In February 2019, we reached a settlement agreement and release with the State of Texas (State) and the Texas Department of Health and Human Services, which was amended in May 2019 (Texas Agreement). Pursuant to the terms of the Texas Agreement, the Company was required to pay the State \$236 million, of which \$118 million was paid in 2019 and the remaining \$118 million was paid in January 2020.

In order to provide financial flexibility and finance certain investments and projects, we may continue to utilize external financing arrangements. However, we believe that our cash on hand, projected cash flow from operations, sound balance sheet and our Revolving Credit Facility will continue to provide sufficient financial resources to meet our expected business obligations for at least the next twelve months.

Cash Flow Analysis

The following summarizes our cash flows for the two years ended December 31, 2022, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions)	Year Ended December 31,		Change
	2022	2021	2022 vs. 2021
Net cash provided by (used in) operating activities	\$ 144	\$ 243	\$ (99)
Net cash provided by (used in) investing activities	173	(142)	315
Net cash provided by (used in) financing activities	(131)	(132)	1

Operating Activities

The net decline in cash flow provided by operating activities of \$99 million was primarily attributable to lower Adjusted EBITDA, increases in equipment to support new business in our Transportation segment, higher income tax payments and higher cash interest payments, partially offset by improved accounts receivable Days Sales Outstanding (DSO) and the insurance recovery related to the previously disclosed State of Texas matter.

Investing Activities

The increase in cash provided by investing activities of \$315 million was primarily due to the proceeds from the divestiture of the Midas business, partially offset by slightly increased spending related to modernizing our infrastructure and productivity tools.

Financing Activities

Financing activities for 2022 primarily reflect the repayment of the \$100 million borrowed under the Revolving Credit Facility, normal scheduled debt repayments and dividends on our Series A Preferred Stock. Financing activities for 2021 primarily reflect the net activity related to our 2021 debt refinancing, payment of the previously outstanding \$34 million of Senior Notes due 2024 and dividends on our Series A Preferred Stock, partially offset by the \$100 million borrowed from the Revolving Credit Facility.

Sales of Accounts Receivable

The net impact from the sales of accounts receivable on net cash provided by (used in) operating activities for the years ended December 31, 2022, 2021 and 2020 was \$54 million, \$(10) million and \$(22) million, respectively. The net impact from the sales of accounts receivable represents the difference between current and prior year fourth quarter accounts receivable sales adjusted for the effects of collections prior to the end of the year.

Financial Instruments

Refer to Note 12 – Financial Instruments to the Consolidated Financial Statements for additional information.

Material Cash Requirements from Contractual Obligations

We believe our balances of cash and cash equivalents, which totaled \$582 million as of December 31, 2022, along with cash generated by operations and amounts available for borrowing under our Revolving Credit Facility, will be sufficient to satisfy our cash requirements over the next 12 months and beyond.

At December 31, 2022, our material cash requirements include the following contractual and other obligations.

Debt

As of December 31, 2022, we had total outstanding debt with floating and fixed rates totaling \$1,335 million, of which \$35 million was due within 12 months. Future interest payments associated with this debt, which has maturities through 2029, are forecast to be \$543 million, of which \$98 million is due within 12 months. Refer to Note 11 – Debt to the Consolidated Financial Statements for additional information.

Leases

In the normal course of business, we enter lease arrangements for certain equipment and facilities. As of December 31, 2022, total fixed lease payables were \$271 million, of which \$79 million was due within 12 months. Refer to Note 7 – Leases to the Consolidated Financial Statements for additional information.

Estimated Purchase Commitments

We have committed to purchasing certain materials and services to support our operations. The total of these commitments was \$112 million as of December 31, 2022, of which \$81 million is due within the next 12 months.

Additionally, subsequent to December 31, 2022, we have entered into certain long-term purchase commitments with a third-party technology vendor totaling approximately \$309 million over the next 5 years, of which \$62 million is due within the next 12 months.

Other Contingencies and Commitments

As more fully discussed in Note 16 – Contingencies and Litigation to the Consolidated Financial Statements, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement law; intellectual property law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. In addition, guarantees, indemnifications and claims may arise during the ordinary course of business from relationships with suppliers and customers. Nonperformance under a contract including a guarantee, indemnification or claim could trigger an obligation of the Company.

We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Should developments in any of these areas cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs. Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

As of December 31, 2022, we do not believe we have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

In addition, refer to the preceding discussion of the Company's contractual cash obligations and other commercial commitments and Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding contingencies, guarantees and indemnifications.

Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and notes thereto. In preparing our Consolidated Financial Statements, we have made our best estimates and judgments of certain amounts included in the Consolidated Financial Statements giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Senior management has discussed the development and selection of the critical accounting policies, estimates and related disclosures included herein with the Audit Committee of the Board of Directors. We consider these as critical to understanding our Consolidated Financial Statements, as their application places the most significant demands on management's judgment, since financial reporting results rely on estimates of the effects of matters that are inherently uncertain. In instances where different estimates could have reasonably been used, we disclose the impact of these different estimates on our operations. In certain instances, the accounting rules are prescriptive; therefore, it would not have been possible to reasonably use different estimates. Changes in assumptions and estimates are reflected in the period in which they occur. The impact of such changes could be material to our results of operations and financial condition in any quarterly or annual period.

Specific risks associated with these critical accounting policies are discussed in MD&A, where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Assets/Liabilities Held for Sale

We classify assets as held for sale in the period when the following conditions are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal group); (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset (disposal group) beyond one year; (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A long-lived asset (disposal group) that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of sale.

The fair value of a long-lived asset (disposal group) less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the asset (disposal group), as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. Upon determining that a long-lived asset (disposal group) meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group in the line items Assets held for sale and Liabilities held for sale, respectively, in the Consolidated Balance Sheets.

On December 29, 2021, the Company signed a definitive agreement to sell its Midas Suite of Solutions (Midas business) to Symplr Software, Inc. This action was taken because of the Company's strategy to streamline its portfolio and its consideration of divestitures of select businesses to enhance shareholder and client value. As of December 31, 2021, the Company determined that this business met the conditions above to be classified as held for sale. Refer to Note 4 – Assets/Liabilities Held for Sale and Divestiture to the Consolidated Financial Statements for additional information.

Revenue Recognition

Application of the accounting principles in U.S. GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies and Note 2 – Revenue to the Consolidated Financial Statements for additional information regarding our revenue recognition policies.

Goodwill

Goodwill is not amortized but rather tested for impairment annually, or more frequently if an event or circumstance indicates that impairment may have been incurred. Events or circumstances that might indicate an interim evaluation is warranted include, among other things, unexpected adverse business conditions, macro and reporting unit specific economic factors, supply costs, unanticipated adverse events or conditions impacting revenues, cash flows or profitability, unanticipated competitive activities and acts by governments and courts. Refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies and Note 8 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for additional information regarding our goodwill policies.

Application of the interim and annual goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and the assessment of the fair value of each reporting unit. We currently have three reporting units which correlate to our three reportable segments: Commercial, Government and Transportation.

As of January 1, 2022, we underwent an internal reorganization in our Commercial reportable segment resulting in the previous four Commercial operating segments being combined into one single operating segment and reporting unit, led by a single segment manager.

We considered the reorganization in the first quarter of 2022 a triggering event and performed an interim qualitative goodwill impairment assessment of the reporting units before and after the reorganization and concluded no impairment existed at the time of the change.

Additionally, as part of the reorganization in the first quarter of 2022, certain clients were reassigned from the Government reportable segment to the Commercial reportable segment. This change resulted in less than 1% of goodwill being reallocated between the reporting units within the two reportable segments.

Our annual quantitative impairment test of goodwill was performed as of October 1, 2022.

Goodwill is tested for impairment using a qualitative assessment and/or a quantitative assessment. In our quantitative assessment, we estimate the fair value of each reporting unit by weighting the results from the Income Approach (discounted cash flow methodology) and Market Approach. The Income Approach utilizes a discounted cash flow analysis based upon the forecasted future business results of its reporting units. The Market Approach utilizes the guideline public company method. These valuation approaches require significant judgment and consider several factors that include, but are not limited to, expected future cash flows, growth rates and discount rates and comparable multiples from publicly traded companies in our industry. In addition, we are required to make certain assumptions and estimates regarding the current economic environment, industry factors and the future profitability of our businesses.

When performing our discounted cash flow analysis for each reporting unit, we incorporate the use of projected financial information and discount rates that are developed using market participant-based assumptions. The cash-flow projections are based on three-year financial forecasts developed by management that include revenue and expense projections, restructuring activities, capital spending trends and investment in working capital to support anticipated revenue growth or other changes in the business. The selected discount rates consider the risk and nature of the respective reporting units' cash flows, appropriate capital structure and rates of return that market participants would require to invest their capital in our reporting units.

We believe these assumptions are appropriate and reflect our forecasted long-term business model and consider our historical results as well as the current economic environment and markets that we serve. The most significant assumptions used in the goodwill analysis relate to revenue growth rates, discount rate and long-term organic growth rate for the Commercial reporting unit and discount rates and long-term organic growth rates for the Government and Transportation reporting units.

Based on our quantitative assessments, we concluded that the fair value of our reporting units exceeded their respective carrying values and, accordingly, we did not record any goodwill impairment charge as a result of our annual quantitative impairment test of goodwill as of October 1, 2022. If we used different assumptions for revenue growth rates, discount rates or long-term organic growth rates in these annual assessments, our calculated fair values of our reporting units could be higher or lower which could result in a goodwill impairment.

After completing the annual impairment test, the Commercial reporting unit experienced lower than expected new customer contract signings (all subsequent to November 1, 2022), and an unexpected softening of the future business pipeline for certain solutions. Management believed these were driven by macroeconomic conditions present in the fourth quarter of 2022. The combination of these factors led management, in December 2022, to review the Commercial reporting unit and further evaluate the portfolio. These factors triggered the need for management to perform a goodwill impairment assessment for this reporting unit as of December 31, 2022, which resulted in a pre-tax impairment charge of \$358 million.

In connection with the Commercial reporting unit impairment assessment, we first performed a recoverability assessment of long-lived assets and concluded that such assets were not impaired.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our provision is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our provision will change based on discrete or other nonrecurring events such as audit settlements, tax law changes, changes in valuation allowances and other factors, that may not be predictable. If there is a significant unusual or one-time item recognized in our operating results, the taxes attributable to that item would be separately calculated and recorded at the same time as the unusual or one-time item.

We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded in our Consolidated Balance Sheets and provide valuation allowances as required. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Gross deferred tax assets of \$239 million and \$265 million had valuation allowances of \$102 million and \$82 million at December 31, 2022 and 2021, respectively.

We are subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes of such matters. In addition, when applicable, we adjust previously recorded tax expense to reflect examination results. Our ongoing assessments of the more-likely-than-not outcomes of examinations and related tax positions require judgment and can materially increase or decrease our effective tax rate, as well as impact our operating results. Unrecognized tax benefits were \$12 million, \$23 million and \$23 million at December 31, 2022, 2021 and 2020, respectively.

Refer to Note 15 – Income Taxes to the Consolidated Financial Statements for additional information regarding deferred income taxes and unrecognized tax benefits.

Loss Contingencies

We are currently involved in various claims and legal proceedings. At least quarterly, we review the status of each significant matter and assess its potential financial exposure considering all available information including, but not limited to, the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. The estimated losses are recorded within Litigation settlements (recoveries), net in the Company's income statement. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise estimates. These revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position. Our policy is to expense legal defense costs related to such matters as incurred. These costs are recorded within Selling, general and administrative expenses in the Company's income statement. Any insurance recoveries for litigation settlements and defense costs are recorded when such recoveries are deemed probable and collectability is reasonably assured. Such recoveries are recorded in the same financial statement line as the related costs to which the recoveries relate.

Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding loss contingencies.

Recent Accounting Changes

See Note 1 – Basis of Presentation and Summary of Significant Accounting Policies for information on accounting standards adopted during the current year, as well as recently issued accounting standards not yet required to be adopted and the expected impact of the adoption of these accounting standards. To the extent we believe the adoption of new accounting standards has had or will have a material impact on our consolidated results of operations, financial condition or liquidity, we also discuss the impact in the applicable section(s) of this MD&A.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to market risk from foreign currency exchange rates, which could affect operating results, financial position and cash flows. We manage our exposure to this market risk through our regular operating and financing activities and, when appropriate, using derivative financial instruments. We utilized derivative financial instruments to hedge economic exposures, as well as reduce earnings and cash flow volatility resulting from shifts in market rates. We also hedge the cost to fund material non-dollar entities by buying currencies periodically in advance of the funding date. This is accounted for using derivative accounting.

Recent market events have not caused us to materially modify or change our financial risk management strategies with respect to our exposures to foreign currency risk. Refer to Note 12 – Financial Instruments to the Consolidated Financial Statements for additional discussion on our financial risk management.

Foreign Exchange Risk Management

Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2022, the potential change in the fair value of foreign currency-denominated assets and liabilities in each entity would not be significant because all material currency asset and liability exposures were economically hedged as of December 31, 2022. A 10% appreciation or depreciation of the U.S. Dollar against all currencies from the quoted foreign currency exchange rates at December 31, 2022 would have an impact on our cumulative translation adjustment portion of equity of approximately \$75 million. The net amount invested in foreign subsidiaries and affiliates, primarily in the U.K. and Europe, and translated into U.S. Dollars using the year-end exchange rates, was approximately \$752 million at December 31, 2022.

Interest Rate Risk Management

The consolidated weighted-average interest rates related to our total debt for 2022 approximated 4.97% for 2021 Term A Loan due 2026, 6.42% for 2021 Term B Loan due 2028, 6.15% for 2021 Senior Notes due 2029 and 7.00% for finance lease obligations. As of December 31, 2022, we did not have any borrowings outstanding under our 2021 Revolving Credit Facility maturing 2026. As of December 31, 2022, \$762 million of our total debt of \$1,335 million carried variable interest rates. The fair values of our fixed rate financial instruments are sensitive to changes in interest rates and at December 31, 2022, a 10% increase in market interest rates would decrease the fair values of such financial instruments by approximately \$21 million. A 10% decrease in market interest rates would increase the fair values of such financial instruments by approximately \$22 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Conduent Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Conduent Incorporated and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of income (loss), of comprehensive income (loss), of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2022 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessments – Commercial Reporting Unit

As described in Notes 1 and 8 to the consolidated financial statements, the Company's consolidated goodwill balance was \$955 million as of December 31, 2022. The goodwill associated with the Commercial reporting unit was \$287 million. Management tests goodwill for impairment annually or more frequently if an event or change in circumstances indicate the asset may be impaired. Management performed the annual goodwill impairment test as of October 1, 2022. Impairment testing for goodwill is done at the reporting unit level. The fair value of the reporting unit is determined utilizing a combination of both an income approach and a market approach. The income approach utilizes a discounted cash flow analysis based upon the forecasted future business results of the reporting unit. The market approach utilizes the guideline public company method. If the fair value of a reporting unit is less than its carrying amount, an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. After completing the annual impairment test, which did not identify any goodwill impairment, the Commercial reporting unit experienced lower than expected new customer contract signings (all subsequent to November 1, 2022), and an unexpected softening of the future business pipeline for certain solutions. Management believed these were driven by macroeconomic conditions present in the fourth quarter of 2022. The combination of these factors led management, in December 2022, to review the Commercial reporting unit and further evaluate the portfolio. These factors triggered the need for management to perform a goodwill impairment assessment for this reporting unit as of December 31, 2022, which resulted in a pre-tax impairment charge of \$358 million. As disclosed by management, the most significant assumptions used in the goodwill impairment assessment relate to revenue growth rates, the discount rate and the long-term organic growth rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments for the Commercial reporting unit is a critical audit matter are (i) the significant judgment by management when determining the fair value of the Commercial reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, the discount rate and the long-term organic growth rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's goodwill impairment assessments, including controls over the determination of the fair value of the Commercial reporting unit. These procedures also included, among others (i) testing management's process for determining the fair value of the Commercial reporting unit; (ii) evaluating the appropriateness of the discounted cash flow analysis; (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow analysis; and (iv) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates, the discount rate and the long-term organic growth rate. Evaluating management's significant assumptions related to revenue growth rates and the long-term organic growth rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Commercial reporting unit; (ii) the consistency with external market and industry data;

and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow analysis and (ii) the reasonableness of the long-term organic growth rate and the discount rate assumptions.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 22, 2023

We have served as the Company's auditor since 2016.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

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

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

/s/ CLIFFORD SKELTON

Chief Executive Officer

/s/ STEPHEN WOOD

Chief Financial Officer & Principal Accounting Officer

CONDUENT INCORPORATED **CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

	Year Ended December 31,		
	2022	2021	2020
(in millions, except per-share data)			
Revenue	\$ 3,858	\$ 4,140	\$ 4,163
Operating Costs and Expenses			
Cost of services (excluding depreciation and amortization)	3,018	3,138	3,209
Selling, general and administrative (excluding depreciation and amortization)	440	544	468
Research and development (excluding depreciation and amortization)	7	4	1
Depreciation and amortization	230	352	459
Restructuring and related costs	39	45	67
Interest expense	84	55	60
Loss on extinguishment of debt	—	15	—
Goodwill impairment	358	—	—
(Gain) loss on divestitures and transaction costs, net	(158)	3	17
Litigation settlements (recoveries), net	(32)	3	20
Other (income) expenses, net	(1)	6	1
Total Operating Costs and Expenses	3,985	4,165	4,302
Income (Loss) Before Income Taxes	(127)	(25)	(139)
Income tax expense (benefit)	55	3	(21)
Net Income (Loss)	\$ (182)	\$ (28)	\$ (118)
Net Income (Loss) per Share:			
Basic	\$ (0.89)	\$ (0.18)	\$ (0.61)
Diluted	\$ (0.89)	\$ (0.18)	\$ (0.61)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)	Year Ended December 31,		
	2022	2021	2020
Net Income (Loss)	\$ (182)	\$ (28)	\$ (118)
Other Comprehensive Income (Loss), Net⁽¹⁾			
Currency translation adjustments, net	(41)	(31)	8
Unrecognized gains (losses), net	(1)	(1)	—
Changes in benefit plans, net	5	1	1
Other Comprehensive Income (Loss), Net	(37)	(31)	9
Comprehensive Income (Loss), Net	<u>\$ (219)</u>	<u>\$ (59)</u>	<u>\$ (109)</u>

(1) All amounts are net of tax. Tax effects were immaterial. Refer to Note 19 – Other Comprehensive Income (Loss) for information about pre-tax amounts.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED CONSOLIDATED BALANCE SHEETS

	December 31,	
	2022	2021
<i>(in millions, except share data in thousands)</i>		
Assets		
Cash and cash equivalents	\$ 582	\$ 415
Accounts receivable, net	630	699
Assets held for sale	—	184
Contract assets	171	154
Other current assets	242	228
Total current assets	1,625	1,680
Land, buildings and equipment, net	266	281
Operating lease right-of-use assets	197	231
Intangible assets, net	39	52
Goodwill	955	1,339
Other long-term assets	489	453
Total Assets	\$ 3,571	\$ 4,036
Liabilities and Equity		
Current portion of long-term debt	\$ 35	\$ 30
Accounts payable	228	198
Accrued compensation and benefits costs	197	243
Unearned income	81	82
Liabilities held for sale	—	29
Other current liabilities	382	443
Total current liabilities	923	1,025
Long-term debt	1,277	1,383
Deferred taxes	83	75
Operating lease liabilities	160	184
Other long-term liabilities	69	95
Total Liabilities	2,512	2,762
Contingencies (See Note 16)		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,924	3,910
Retained earnings (deficit)	(2,543)	(2,351)
Accumulated other comprehensive loss	(466)	(429)
Total Equity	917	1,132
Total Liabilities and Equity	\$ 3,571	\$ 4,036
Shares of common stock issued and outstanding	218,348	215,381
Shares of series A convertible preferred stock issued and outstanding	120	120

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED **CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities:			
Net income (loss)	\$ (182)	\$ (28)	\$ (118)
Adjustments required to reconcile net loss to cash flows from operating activities:			
Depreciation and amortization	230	352	459
Contract inducement amortization	3	1	2
Goodwill impairment	358	—	—
Write-off of implementation costs	—	28	—
Deferred income taxes	9	(21)	(21)
(Gain) loss from investments	—	5	(3)
Amortization of debt financing costs	4	6	7
Loss on extinguishment of debt	—	15	—
(Gain) loss on divestitures and sales of fixed assets, net	(165)	1	6
Stock-based compensation	21	21	20
Allowance for credit losses	—	1	2
Changes in operating assets and liabilities:			
Accounts receivable	54	(45)	(14)
Other current and long-term assets	(123)	(44)	(36)
Accounts payable and accrued compensation and benefits costs	(10)	23	39
Other current and long-term liabilities	(44)	(68)	(174)
Net change in income tax assets and liabilities	(11)	(4)	(8)
Net cash provided by (used in) operating activities	144	243	161
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(92)	(80)	(76)
Cost of additions to internal use software	(61)	(67)	(63)
Proceeds from divestitures	326	5	5
Net cash provided by (used in) investing activities	173	(142)	(134)
Cash Flows from Financing Activities:			
Proceeds from revolving credit facility	—	100	150
Payments on revolving credit facility	(100)	—	(150)
Proceeds from the issuance of debt, net	13	1,299	5
Payments on debt	(33)	(1,500)	(55)
Debt issuance costs	—	(9)	—
Premium on debt redemption	—	(2)	—
Payment of contingent consideration related to acquisition	—	—	(4)
Taxes paid for settlement of stock-based compensation	(1)	(10)	(10)
Dividends paid on preferred stock	(10)	(10)	(10)
Net cash provided by (used in) financing activities	(131)	(132)	(74)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(8)	(7)	—
Increase (decrease) in cash, cash equivalents and restricted cash	178	(38)	(47)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	420	458	505
Cash, Cash Equivalents and Restricted Cash at End of period⁽¹⁾	\$ 598	\$ 420	\$ 458

(1) Includes \$16 million, \$5 million and \$8 million of restricted cash as of the years ended December 31, 2022, 2021 and 2020, respectively, that was included in Other current assets on their respective Consolidated Balance Sheets.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL ⁽¹⁾	Conduent Shareholders' Equity
Balance at December 31, 2019	\$ 2	\$ 3,890	\$ (2,185)	\$ (407)	\$ 1,300
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Stock incentive plans, net	—	9	—	—	9
Comprehensive Income (Loss):					
Net Loss	—	—	(118)	—	(118)
Other comprehensive income (loss), net	—	—	—	9	9
Total Comprehensive Income (Loss), Net	—	—	(118)	9	(109)
Balance at December 31, 2020	\$ 2	\$ 3,899	\$ (2,313)	\$ (398)	\$ 1,190
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Stock incentive plans, net	—	11	—	—	11
Comprehensive Income (Loss):					
Net Loss	—	—	(28)	—	(28)
Other comprehensive income (loss), net	—	—	—	(31)	(31)
Total Comprehensive Income (Loss), Net	—	—	(28)	(31)	(59)
Balance at December 31, 2021	\$ 2	\$ 3,910	\$ (2,351)	\$ (429)	\$ 1,132
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Stock incentive plans, net	—	14	—	—	14
Comprehensive Income (Loss):					
Net Loss	—	—	(182)	—	(182)
Other comprehensive income (loss), net	—	—	—	(37)	(37)
Total Comprehensive Income (Loss), Net	—	—	(182)	(37)	(219)
Balance at December 31, 2022	\$ 2	\$ 3,924	\$ (2,543)	\$ (466)	\$ 917

(1) AOCL - Accumulated other comprehensive loss.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

References herein to “we,” “us,” “our,” the “Company” and “Conduent” refer to Conduent Incorporated and its consolidated subsidiaries unless the context suggests otherwise.

Description of Business

Conduent Incorporated is a New York corporation, organized in 2016. As a global technology-led business process solutions company, Conduent delivers mission-critical services and solutions on behalf of businesses and governments to create exceptional outcomes for our clients and the millions of people who count on them. Through people, process, expertise, analytics and automation, our services and solutions create value by elevating customer experiences, increasing efficiencies and reducing costs. Eighty percent of Fortune 100 companies and over 600 government and transportation agencies depend on us each day as their trusted partner to manage their business processes and end-user interactions.

Basis of Presentation

The Company's Consolidated Financial Statements included the historical basis of assets, liabilities, revenues and expenses of the individual businesses of the Company, including joint ventures and partnerships over which the Company has a controlling financial interest. The Company has prepared the Consolidated Financial Statements pursuant to the rules and regulations of the SEC. Certain reclassifications have been made to prior years' amounts to conform to the current year presentation. All intercompany transactions and balances have been eliminated.

The Company has evaluated subsequent events through February 22, 2023.

Conduent's common stock began trading on January 3, 2017, on the New York Stock Exchange, under the ticker "CNDT". In December 2019, Conduent changed the listing of its publicly traded common stock from the New York Stock Exchange to the Nasdaq Global Select Market (Nasdaq), where it remains listed under the ticker "CNDT".

Use of Estimates

The Company prepared the Consolidated Financial Statements using financial information available at the time of preparation, which requires it to make estimates and assumptions that affect the amounts reported. The Company's most significant estimates pertain to intangible assets, valuation of goodwill, contingencies and litigation and income taxes. These estimates are based on management's best knowledge of current events, historical experience, and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

As of December 31, 2022, the effects of global macroeconomic and geopolitical uncertainty, including COVID-19 pandemic related factors, on the Company's business, results of operations and financial condition continue to evolve. As a result, many of the Company's estimates and assumptions continue to require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, the Company's estimates may change materially in the future.

New Accounting Standards

The Company has considered all recent accounting standards issued, but not yet effective, and does not expect any to have a material impact on the Company's Consolidated Financial Statements.

Recently Adopted Accounting Standards

The Company did not adopt any new accounting standards in 2022 that had a material impact on its Consolidated Financial Statements.

Summary of Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money market funds and investments with original maturities of three months or less.

Receivable Sales

In 2022, 2021 and 2020, the Company sold certain accounts receivable and derecognized the corresponding receivable balance. Refer to Note 5 – Accounts Receivable, Net for more details on the Company's receivable sales.

Assets/Liabilities Held for Sale

The Company classifies assets as held for sale in the period when the following conditions are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal group); (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset (disposal group) beyond one year; (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A long-lived asset (disposal group) that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of sale.

The fair value of a long-lived asset (disposal group) less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the asset (disposal group), as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

On December 29, 2021, the Company signed a definitive agreement to sell its Midas Suite of Solutions (Midas business) to Symplr Software, Inc. This action was taken because of the Company's strategy to streamline its portfolio and its consideration of divestitures of select businesses to enhance shareholder and client value. As of December 31, 2021, the Company determined that this business met the conditions discussed above to be classified as held for sale.

Refer to Note 4 – Assets/Liabilities Held for Sale and Divestiture for further discussion.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Buildings and equipment are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. Significant improvements are capitalized and maintenance and repairs are expensed when incurred.

Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further discussion.

Internal Use and Product Software

Internal Use Software: The Company capitalizes direct costs associated with developing, purchasing or otherwise acquiring software for internal use and amortizes these costs on a straight-line basis over the expected useful life of the software, beginning when the software is implemented. Costs for upgrades and enhancements that will not result in additional functionality are expensed as incurred. Amounts incurred for Internal Use Software are included in Cash Flows from Investing Activities.

Product Software: The Company also capitalizes certain costs related to the development of software solutions to be sold to its customers upon reaching technological feasibility. These costs are amortized on a straight-line basis over the estimated economic life of the software. Amounts incurred for Product Software are included in Cash Flows from Operating activities. The Company performs annual reviews to ensure that unamortized Product Software costs remain recoverable from estimated future operating profits (net realizable value). Costs to support or service licensed software are charged to Costs of services as incurred.

Internal use and Product software are included in Other long-term assets on the Company's Consolidated Balance Sheets. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further information.

Cloud Computing Arrangements

The Company incurs costs to implement cloud computing arrangements that are hosted by third party vendors. Implementation costs associated with cloud computing arrangements are capitalized when incurred during the application development phase. Amortization is calculated on a straight-line basis over the contractual term of the cloud computing arrangement, which includes renewal options that are reasonably certain to be exercised. Capitalized amounts related to such arrangements are recorded within Other current assets and Other long-term assets in the Consolidated Balance Sheets. The amortization expense and the associated hosting fees are included in Cost of services and Selling, general and administrative expenses, depending on the nature of the underlying use of the cloud computing arrangement, in the Company's Consolidated Statements of Income (Loss).

In the fourth quarter of 2021, the Company wrote-off approximately \$28 million of previously capitalized implementation costs. There were no such write-offs in either 2022 or 2020. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further information.

Leases

The Company determines if an arrangement is a lease at the inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. The Company has operating and finance leases for real estate and equipment. Operating leases are included in Operating lease ROU assets, Other current liabilities, and Operating lease liabilities in the Company's Consolidated Balance Sheets. Finance leases are included in Land, buildings and equipment, net, Current portion of long-term debt, and Long-term debt in the Company's Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the net present value of lease payments over the lease term using the Company's incremental borrowing rates as the Company's leases generally do not provide an implicit rate. The incremental borrowing rate represents an estimate of the interest rate that the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment.

The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option based on economic factors. The Company recognizes operating fixed lease expense and finance lease depreciation on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Leases with an initial term of one year or less are expensed on a straight-line basis over the lease term. The Company accounts for lease and non-lease components separately for its equipment leases, based on the estimated standalone price of each component, and combines lease and non-lease components for its real estate leases.

Refer to Note 7 – Leases for further information.

Contingencies and Litigation

The Company is currently involved in various claims and legal proceedings. At least quarterly, it reviews the status of each significant matter and assesses its potential financial exposure considering all available information including, but not limited to, the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. The estimated losses are recorded within Litigation settlements (recoveries), net in the

Company's income statement. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to pending claims and litigation and may revise its estimates. These revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position. The Company's policy is to expense legal defense costs related to such matters as incurred. These costs are recorded within Selling, general and administrative expenses in the Company's income statement. Any insurance recoveries for litigation settlements and defense costs are recorded when such recoveries are deemed probable and collectability is reasonably assured. Such recoveries are recorded in the same financial statement line as the related costs to which the recoveries relate.

Refer to Note 16 – Contingencies and Litigation to the Condensed Consolidated Financial Statements for additional information regarding loss contingencies.

Goodwill

For acquired businesses, the Company records the acquired assets and assumed liabilities based on their relative fair values at the date of acquisitions (commonly referred to as the purchase price allocation). Goodwill represents the excess of the purchase price paid in excess of the fair value of net tangible and intangible assets acquired. For the Company's business acquisitions, the purchase price is allocated to identifiable intangible assets separate from goodwill if they are from contractual or other legal rights, or if they could be separated from the acquired business and sold, transferred, licensed, rented or exchanged.

The Company tests goodwill for impairment annually or more frequently if an event or change in circumstances indicate the asset may be impaired. Impairment testing for goodwill is done at the reporting unit level. Goodwill is tested for impairment using a qualitative and/or quantitative assessment. For the quantitative assessment, the Company determines the fair value of its reporting units utilizing a combination of both an Income Approach and a Market Approach. The Income Approach utilizes a discounted cash flow analysis based upon the forecasted future business results of its reporting units. The Market Approach utilizes the guideline public company method. If the fair value of a reporting unit is less than its carrying amount, an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

Refer to Note 8 – Goodwill and Intangible Assets, Net for further information.

Other Intangible Assets

Other intangible assets primarily consist of assets acquired through business combinations, primarily installed customer base. Other intangible assets are amortized on a straight-line basis over their estimated economic lives unless impairment is identified.

Refer to Note 8 – Goodwill and Intangible Assets, Net for further information.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, including buildings, equipment, internal use software, product software, right-of-use assets and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The Company's primary measure of fair value is based on forecasted cash flows.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are based on differences between U.S. GAAP reporting and tax bases of assets or liabilities and based on current tax laws, regulations and rates.

The recognition of deferred tax assets requires an assessment to determine the realization of such assets. Management establishes valuation allowances on deferred tax assets when it is determined "more-likely-than-not"

that some portion or all of the deferred tax assets may not be realized. Management considers positive and negative evidence in evaluating the ability of the Company to realize its deferred tax assets, including its historical results and forecasts of future ability to realize its deferred tax assets, including projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

The Company is subject to ongoing tax examinations and assessments in various jurisdictions. The Company has unrecognized tax benefits for uncertain tax positions. The Company follows U.S. GAAP which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can materially increase or decrease its effective tax rate, as well as impact its operating results.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (Tax Reform). The Tax Reform includes a tax on global intangible low-taxed income ("GILTI"), which imposes a U.S. tax on certain income earned by the Company's foreign subsidiaries. The Company elected to treat the tax on GILTI as a period cost when incurred and therefore, no deferred taxes for GILTI were recognized for the year ended December 31, 2022.

Refer to Note 15 – Income Taxes for further discussion.

Foreign Currency Translation and Re-measurement

The functional currency for most foreign operations is the local currency. Net assets are translated at current rates of exchange and income, expense and cash flow items are translated at average exchange rates for the applicable period. The translation adjustments are recorded in Accumulated other comprehensive loss.

The U.S. Dollar is used as the functional currency for certain foreign subsidiaries that conduct their business in U.S. Dollars. A combination of current and historical exchange rates is used in re-measuring the local currency transactions of these subsidiaries and the resulting exchange adjustments are recorded in Currency (gains) and losses within Other (income) expenses, net together with other foreign currency re-measurements.

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately, versus together, may require judgment. Typically, the Company's contracts include performance obligation(s) to stand-ready on a daily or monthly basis to provide services to the customers. Under a stand-ready obligation, the evaluation of the nature of our performance obligation is focused on each time increment rather than the underlying activities. Accordingly, the promise to stand-ready is accounted for as a single-series performance obligation.

Once the Company determines the performance obligations, the Company determines the transaction price, which is based on fixed and/or variable consideration. Typical forms of variable consideration include variable pricing based on the number of transactions processed or usage-based pricing arrangements. Variable consideration is also present in the form of volume discounts, tiered and declining pricing, penalties for service level agreements, performance bonuses and credits. In circumstances where the Company meets certain requirements to allocate variable consideration to a distinct service within a series of related services, it allocates variable consideration to each distinct period of service within the series. In limited circumstances, if the Company does not meet those requirements, it includes an estimate of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty is resolved. For contracts with multiple performance obligations, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company generally determines standalone selling prices based on the prices charged to customers or by using expected cost plus a reasonable margin.

The Company typically satisfies its performance obligations over time as the services are provided. A time-elapsed output method is used to measure progress because the nature of the Company's promise is a stand-ready service and efforts are expended evenly throughout the period. In limited circumstances, such as contracts for

implementation or development projects, the Company also uses a cost-to-cost based input method. The Company has determined that the above methods provide a faithful depiction of the transfer of services to the customer.

Estimates of revenue expected to be recognized in future periods exclude unexercised customer options to purchase additional services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for when the customer exercises its option to purchase additional goods or services. The Company recognizes revenue for non-refundable upfront implementation fees on a straight-line basis over the period between the initiation of the services through the end of the contract term.

When more than one party is involved in providing services to a customer, the Company evaluates whether it is the principal, and reports revenue on a gross basis, or an agent, and reports revenue on a net basis. In this assessment, the Company considers the following: if it obtains control of the specified services before they are transferred to the customer; is primarily responsible for fulfillment and inventory risk; and has discretion in establishing price.

The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The primary revenue-based taxes are sales tax and value-added tax (VAT).

The Company's payment terms vary by type of services offered. The time between invoicing and when payment is due is not significant. For certain services and customer types, the Company requires payment before services are rendered.

From time to time, the Company's contracts are modified to account for additions or changes to existing performance obligations. The Company's contract modifications related to stand-ready performance obligations are generally accounted for prospectively.

Refer to Note 2 – Revenue for further discussion.

Note 2 – Revenue

Disaggregation of Revenue

During the first quarter of 2022, certain clients were reclassified from the Government segment to the Commercial segment. Additionally, revenue for the Midas business divested in the first quarter of 2022 has been reclassified from the Commercial segment to the Divestitures segment. These changes have no impact on the timing of revenue recognition. All prior periods presented have been revised to reflect these changes.

The following table provides information about disaggregated revenue by major service offering, the timing of revenue recognition and a reconciliation of the disaggregated revenue by reportable segment. Refer to Note 3 – Segment Reporting for additional information on the Company's reportable segments.

(in millions)	Year Ended December 31,		
	2022	2021	2020
Commercial:			
Customer experience management	\$ 636	\$ 629	\$ 648
Business operations solutions	553	567	566
Healthcare claims and administration solutions	368	367	361
Human capital solutions	435	454	529
Total Commercial	1,992	2,017	2,104
Government:			
Government healthcare solutions	589	576	603
Government services solutions	561	731	665
Total Government	1,150	1,307	1,268
Transportation:			
Road usage charging & management solutions	328	327	318
Transit solutions	226	262	248
Curbside management solutions	85	82	72
Public safety solutions	62	67	73
Commercial vehicles	8	8	8
Total Transportation	709	746	719
Other:			
Divestitures	7	70	72
Total Other	7	70	72
Total Consolidated Revenue	\$ 3,858	\$ 4,140	\$ 4,163
Timing of Revenue Recognition:			
Point in time	\$ 115	\$ 111	\$ 110
Over time	3,743	4,029	4,053
Total Revenue	\$ 3,858	\$ 4,140	\$ 4,163

The Company's contracts with customers are broadly similar in nature throughout the Company's major service offerings. The following is a description of the major service offerings:

Customer Experience Management: The Company delivers a full range of omni-channel customer contact services and customer communications, including customer care, technical support, loyalty management, and outbound and inbound sales. The Company creates better experiences across the customer lifecycle through a variety of channels including social media, chat, email, voice and virtual agent to help customers where and how they want to engage.

Business Operations Solutions: The Company helps its clients transform business processes and drive efficiency, automation and scale across essential business functions. The Company streamlines mission-critical operations through its deep industry experience, understanding of its clients' operations and the latest technology solutions, to reduce costs, improve security and accuracy and enable revenue growth, while enhancing the end-user experience. The Company's portfolio of solutions spans automated document and data management, payments processing, finance, accounting, and procurement and financial industry solutions.

Healthcare Claims and Administration Solutions: The Company delivers administration, clinical support, bill review and medical management solutions across the health ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experience for members and patients. The Company's solutions span: trials, sales, access, and adherence to pharmaceutical clients; medical bill review, claim processing, care integration, subrogation and payment integrity solutions to managed care companies; and workers compensation medical bill review, intake mailroom/data capture and medical management services to claims payers and third-party administrators.

Human Capital Solutions: The Company provides services to support its clients' employees at all stages of their employment from on-boarding through retirement. The Company's solutions span Health Savings Account

Solutions, Benefits Administration Solutions, Human Resources (HR) and Payroll Solutions, and Learning Solutions. On behalf of global organizations and governments, the Company delivers mission-critical, technology-led HR services and solutions that improve business processes across the employee journey to maximize business performance, while increasing employee satisfaction, engagement, and overall well-being. These solutions span health, benefits, payroll, onboarding and learning administration, annual enrollment, wealth and retirement, HR, talent, and workforce management.

Government Healthcare Solutions: The Company provides mission-critical program administration solutions for State Medicaid and federally-funded healthcare programs. The Company's services include a range of innovative solutions such as Medicaid management, provider services, Medicaid business intelligence, pharmacy benefits management, eligibility and enrollment support, customer contact services, application processing, premium billing, and case management solutions.

Government Services Solutions: The Company is a leader in government payment disbursements for federally sponsored programs including Supplemental Nutrition Assistance Program (SNAP), and Women, Infant and Children (WIC) as well as government-initiated cash disbursements including child support and Unemployment Insurance (UI). The Company also offers a broad set of child support services predominately to State Disbursement Units (SDUs), including processing and distributing payment, child support payment cards, childcare credentialing, and case management, among others, to help states comply with federal standards.

Road Usage Charging & Management Services: The Company's electronic tolling, urban congestion management and mileage-based user solutions help its clients get travelers to where they need to go while generating revenue for infrastructure improvements. The Company's solutions include vehicle passenger detection systems, electronic toll collection, automated license plate recognition and congestion management solutions.

Transit Solutions: For train, bus, subway, metro and other transit travelers, the Company helps make journeys more personalized and convenient while increasing capacity and profitability for authorities and agencies. The Company combines fare collection and intelligent mobility to provide clients with the added efficiency of a single point of management for all transit solutions.

Curbside Management Solutions: The Company delivers intelligent curbside management systems that simplify parking programs and deliver convenient and hassle-free experiences for drivers. The Company's curbside solutions include citation and permit administration, parking enforcement and curbside demand management.

Public Safety Solutions: The Company provides data analytics, automated photo enforcement and other public safety solutions to make streets and communities safer. Photo enforcement systems include red light, fixed and mobile speed, school bus, work zone, school zone, bus lane, high occupancy and other forms of photo enforcement systems.

Commercial Vehicles: The Company provides computer-aided dispatch/automatic vehicle location technology to help clients manage their fleet operations.

Contract Balances

The Company receives payments from customers based upon contractual billing schedules. Accounts receivable are recorded when the right to consideration becomes unconditional. Contract assets are the Company's rights to consideration for services provided when the right is conditioned on something other than passage of time (for example, meeting a milestone for the right to bill under the cost-to-cost measure of progress). Contract assets are transferred to Accounts receivable, net when the rights to consideration become unconditional. Unearned income includes payments received in advance of performance under the contract, which are realized when the associated revenue is recognized under the contract.

The following table provides information about the balances of the Company's contract assets, unearned income and receivables from contracts with customers:

(in millions)	December 31, 2022	December 31, 2021
Contract Assets (Unearned Income)		
Current contract assets	\$ 171	\$ 154
Long-term contract assets ⁽¹⁾	12	8
Current unearned income	(81)	(82)
Long-term unearned income ⁽²⁾	(42)	(48)
Net Contract Assets	\$ 60	\$ 32
Accounts receivable, net	\$ 630	\$ 699

(1) Presented in Other long-term assets in the Consolidated Balance Sheets

(2) Presented in Other long-term liabilities in the Consolidated Balance Sheets

Revenues of \$76 million and \$107 million were recognized during the years ended December 31, 2022 and 2021, respectively, related to the Company's unearned income at December 31, 2021 and December 31, 2020.

Additionally, the Company recognized \$7 million of revenue related to the unearned income of the divested Midas business for the year ended December 31, 2022. Such amount was included in Liabilities Held for Sale on the December 31, 2021 consolidated balance sheet. The Company had no material asset impairment charges related to contract assets for the year ended December 31, 2022.

Transaction Price Allocated to the Remaining Performance Obligations

Estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied at December 31, 2022, was approximately \$1.1 billion. The Company expects to recognize approximately 75% of this revenue over the next 2 years and the remainder thereafter.

Costs to Obtain and Fulfill a Contract

The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. The net book value of these costs, which was \$24 million and \$25 million as of December 31, 2022 and 2021, respectively, are included in Other long-term assets. The judgments made in determining the amount of costs incurred include whether the commissions are incremental and directly related to a successful acquisition of a customer contract. These costs are amortized in Depreciation and amortization over the term of the contract or the estimated life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. The Company expenses sales commissions when incurred if the amortization period of the sales commission is one year or less.

In addition, the Company may provide inducement payments to secure customer contracts. These inducement payments are capitalized and amortized as a reduction of revenue over the term of the customer contract. The net book value of these costs totaled \$28 million and \$19 million as of December 31, 2022 and 2021, respectively, and are included in Other long-term assets.

Also, the Company capitalizes costs incurred to fulfill its contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. The net book value of these costs, which comprise set-up/transition activities, was \$30 million and \$29 million as of December 31, 2022 and 2021, respectively, and are classified in Other long-term assets. Contract fulfillment costs are expensed to Depreciation and amortization as the Company satisfies its performance obligations by transferring the service to the customer. These costs are amortized on a systematic basis over the expected period of benefit.

These costs are periodically reviewed for impairment.

The amortization of costs incurred to obtain and fulfill a contract, excluding contract inducements, for the years ended December 31, 2022, 2021 and 2020, were \$34 million, \$39 million and \$41 million, respectively.

The expected amortization expense for the next five years and thereafter for these costs to obtain and fulfill a contract is as follows:

2023	2024	2025	2026	2027	Thereafter
\$ 27	\$ 15	\$ 11	\$ 8	\$ 5	\$ 16

Note 3 – Segment Reporting

The Company's reportable segments correspond to how it organizes and manages the business, as defined by the Company's Chief Executive Officer, who is also its Chief Operating Decision Maker (CODM), and are aligned to the industries in which the Company's clients operate. The Company's segments involve the delivery of business process services and include service arrangements where it manages a customer's business activity or process.

In the first quarter of 2022, the Company realigned certain clients between reportable segments to reflect how the Company currently manages its business. Certain clients were reclassified from the Government reportable segment to the Commercial reportable segment to align with a product view of the business. Additionally, in the first quarter of 2022, in order to provide greater visibility into the profitability of the Company's segments, certain real estate costs that were previously included in Unallocated Costs have been allocated to each of the reportable segments.

As described in Note 4 – Assets/Liabilities Held for Sale and Divestiture, the Company sold its Midas Suite of patient safety, quality and advanced analytics solutions (Midas business) to a third party in the first quarter of 2022. Accordingly, the results of this disposed business, which had previously been reported in the Commercial segment have been reclassified to the Divestitures segment.

All prior periods presented have been recast to reflect these changes.

The Company's financial performance is based on Segment Profit/(Loss) for its three reportable segments (Commercial, Government and Transportation), Other and Unallocated Costs. The Company's CODM does not evaluate operating segments using discrete asset information.

- **Commercial:** The Commercial segment provides business process services and customized solutions to clients in a variety of commercial industries. Across the Commercial segment, the Company operates on its clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for the Company's clients and their consumers and employees.
- **Government:** The Government segment provides government-centric business process services to U.S. federal, state and local and foreign governments for public assistance, health services, program administration, transaction processing and payment services. The solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations.
- **Transportation:** The Transportation segment provides systems, support, and revenue-generating solutions, to government transportation agency clients. The Company delivers mission-critical public safety, mobility and digital payment solutions that streamline operations, increase revenue and reduce congestion while creating safe, seamless travel experiences for consumers and have a positive impact on the environment.

Other includes the Company's divestitures and the Student Loan business, which the Company exited in the third quarter of 2018.

Unallocated Costs includes IT infrastructure costs that are shared by multiple reportable segments, enterprise application costs and certain corporate overhead expenses not directly attributable or allocated to the reportable segments.

Selected financial information for the Company's reportable segments was as follows:

	Year Ended December 31,							
(in millions)	Commercial	Government	Transportation	Other		Unallocated Costs	Total	
2022				Divestitures	Other			
Revenue	\$ 1,992	\$ 1,150	\$ 709	\$ 7	\$ —	\$ —	\$ 3,858	
Segment profit (loss)	\$ 124	\$ 294	\$ 49	\$ 2	\$ —	\$ (293)	\$ 176	
2021								
Revenue	\$ 2,017	\$ 1,307	\$ 746	\$ 70	\$ —	\$ —	\$ 4,140	
Segment profit (loss)	\$ 95	\$ 409	\$ 72	\$ 32	\$ 1	\$ (372)	\$ 237	
2020								
Revenue	\$ 2,104	\$ 1,268	\$ 719	\$ 72	\$ —	\$ —	\$ 4,163	
Segment profit (loss)	\$ 98	\$ 375	\$ 82	\$ 33	\$ 9	\$ (332)	\$ 265	

The following is a reconciliation of segment profit (loss) to income (loss) before income taxes:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)			
Income (Loss) Before Income Taxes	\$ (127)	\$ (25)	\$ (139)
Reconciling items:			
Amortization of acquired intangible assets	13	135	239
Restructuring and related costs	39	45	67
Interest expense	84	55	60
Loss on extinguishment of debt	—	15	—
Goodwill impairment	358	—	—
(Gain) loss on divestitures and transaction costs, net	(158)	3	17
Litigation settlements (recoveries), net	(32)	3	20
Other (income) expenses, net	(1)	6	1
Segment Profit (Loss)	\$ 176	\$ 237	\$ 265

Refer to Note 2 – Revenue for additional information on disaggregated revenues of the reportable segments.

Geographic area data is based upon the location of the subsidiary reporting the revenue or long-lived assets and is as follows for each of the years ended December 31:

(in millions)	Revenues			Long-Lived Assets ⁽¹⁾	
	2022	2021	2020	2022	2021
United States	\$ 3,473	\$ 3,712	\$ 3,748	\$ 638	\$ 651
Europe	328	368	357	39	39
Other areas	57	60	58	86	96
Total Revenues and Long-Lived Assets	\$ 3,858	\$ 4,140	\$ 4,163	\$ 763	\$ 786

(1) Long-lived assets are comprised of (i) Land, buildings and equipment, net, (ii) Internal use software, net, (iii) Product software, net and (iv) Operating lease right-of-use assets.

Note 4 – Assets/Liabilities Held for Sale and Divestiture

Assets/Liabilities Held for Sale

As of December 31, 2021, the sale of the Midas business to Symplr Software, Inc. had not yet closed. Accordingly, the assets and liabilities of this portfolio, collectively referred to as the Disposal Group, were reclassified as held for sale and measured at the lower of carrying value or fair value less costs to sell. As described below, the sale closed in the first quarter of 2022 and the assets and liabilities held for sale have been removed from the Company's Consolidated Balance Sheets.

Divestiture

On February 8, 2022, the Company completed the sale of its Midas business to Symplr Software, Inc. The Company received \$322 million of cash consideration for this divestiture. The divestiture generated a pre-tax gain of \$166 million, which is included in (Gain) loss on divestitures and transaction costs, net. The Company recorded approximately \$62 million of income taxes in connection with the divestiture. The revenue generated by this business was \$7 million, \$70 million and \$72 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Note 5 – Accounts Receivable, Net

The Accounts receivable, net balance of \$630 million and \$699 million at December 31, 2022 and 2021, respectively, included allowance for credit losses of \$0 million and \$0 million at December 31, 2022 and 2021, respectively.

The Company enters into factoring agreements in the normal course of business as part of our cash and liquidity management, to sell certain accounts receivable without recourse to third-party financial institutions. During the third quarter of 2022, the Company replaced its previously outstanding factoring agreements with an agreement with a new third-party financial institution with substantially equivalent terms. The transactions under this agreement are treated as a sale and are accounted for as a reduction in accounts receivable because the agreement transfers effective control over, and risk related to, the receivables to the buyers. Cash proceeds from this arrangement are included in cash flow from operating activities in the Consolidated Statements of Cash Flows.

Accounts receivable sales for the years ended December 31, 2022 and 2021 were \$507 million and \$422 million, respectively.

Note 6 - Land, Buildings, Equipment and Software, Net

Land, buildings and equipment, net was as follows:

(in millions except as noted)	Estimated Useful Lives	December 31,	
	(Years)	2022	2021
Land		\$ 1	\$ 1
Building and building equipment	25 to 50	7	7
Leasehold improvements	Varies	236	250
IT, other equipment and office furniture	3 to 15	896	883
Other	4 to 20	3	3
Construction in progress		39	49
Subtotal		1,182	1,193
Accumulated depreciation		(916)	(912)
Land, Buildings and Equipment, Net		\$ 266	\$ 281

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was \$111 million, \$116 million and \$125 million, respectively.

Internal Use and Product Software

Internal use and Product software are included in Other long-term assets on the Company's Consolidated Balance Sheets. Additions to Internal use and Product software as well as year-end balances for these assets were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
<u>Additions to:</u>			
Internal use software	\$ 61	\$ 65	\$ 63
Product software	39	45	36
(in millions)	December 31,		
	2022	2021	
Internal use software, at cost	\$ 621	\$ 563	
Accumulated amortization	(432)	(382)	
Internal use software, net	\$ 189	\$ 181	
Product software, at cost	\$ 207	\$ 171	
Accumulated amortization	(97)	(78)	
Product software, net	\$ 110	\$ 93	

Useful lives of our Internal use and Product software generally vary from one to seven years. Amortization expense for Internal use and Product software for the years ended December 31, 2022, 2021 and 2020 was \$71 million, \$62 million and \$54 million, respectively.

Cloud Computing Arrangements

Cloud computing implementation costs are included in Other current assets and Other long-term assets on the Company's Consolidated Balance Sheets. Additions to Cloud computing implementation costs as well as year-end balances for these assets were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
<u>Additions to:</u>			
Cloud computing implementation costs	\$ 1	\$ 6	\$ 3
(in millions)	December 31,		
	2022	2021	
<u>Capitalized Costs, Net</u>			
Cloud computing implementation costs, at cost	\$ 54	\$ 53	
Impairment charges	—	(28)	
Accumulated impairment charges	(28)	—	
Accumulated amortization	(17)	(11)	
Cloud computing implementation costs, net ⁽¹⁾	\$ 9	\$ 14	

(1) Refer to Note 10 – Supplementary Financial Information for additional information on the current and long-term portions of this asset.

Useful lives of Cloud computing implementation costs are three to five years. Amortization expense for Cloud computing implementation costs for the years ended December 31, 2022, 2021 and 2020 were \$6 million, \$2 million and \$4 million, respectively. As a result of the Company's decision in the fourth quarter of 2021 to abandon an internal project, the Company wrote-off \$28 million of its previously capitalized implementation costs. Additionally, in connection with the abandonment of this project, the Company accrued \$4 million of charges related to remaining hosting fees that would have continued to be incurred without any economic benefit. The write-off and remaining hosting fee charges are included in Selling, general and administrative on the Consolidated Statements of Income (Loss).

Note 7 - Leases

The Company has entered into non-cancelable operating and finance leases primarily for office space and equipment with lease terms that range from less than one year to 21 years.

The components of lease costs were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Finance Lease Costs:			
Amortization of right of use assets	\$ 10	\$ 10	\$ 8
Interest on lease liabilities	1	1	1
Total Finance Lease Costs	\$ 11	\$ 11	\$ 9
Operating lease costs:			
Base rent	\$ 79	\$ 85	\$ 95
Short-term lease costs	4	4	5
Variable lease costs ⁽¹⁾	24	23	26
Sublease income	(1)	(1)	(3)
Total Operating Lease Costs	\$ 106	\$ 111	\$ 123

(1) Primarily related to taxes, insurance and common area and other maintenance costs for real estate leases.

Supplemental cash flow information related to leases was as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Cash paid for the amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 93	\$ 99	\$ 117
Operating cash flows from finance leases	1	1	1
Total Cash Flow from Operating Activities	\$ 94	\$ 100	\$ 118
Financing cash flow from finance leases	\$ 10	\$ 9	\$ 11
Supplemental non-cash information on right of use assets obtained in exchange for new lease obligations:			
Operating leases	\$ 43	\$ 68	\$ 73
Finance leases	\$ 14	\$ 5	\$ 14

Supplemental balance sheet information related to leases was as follows:

(in millions)	December 31,	
	2022	2021
Operating lease assets:		
Operating lease right-of-use assets	\$ 197	\$ 231
Operating lease liabilities:		
Other current liabilities	\$ 57	\$ 71
Operating lease liabilities	160	184
Total Operating Lease Liabilities	<u>\$ 217</u>	<u>\$ 255</u>
Finance lease assets:		
Land, buildings and equipment, net	\$ 19	\$ 17
Finance lease liabilities:		
Current portion of long-term debt	\$ 10	\$ 8
Long-term debt	10	8
Total Finance Lease Liabilities	<u>\$ 20</u>	<u>\$ 16</u>

The weighted average discount rates and weighted average remaining lease terms for operating and finance leases as of December 31, 2022 and 2021 were as follows:

	December 31, 2022		December 31, 2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average discount rates	6.3 %	7.0 %	5.8 %	5.0 %
Weighted average remaining lease term (in years)	4	2	5	3

Maturities of operating and finance lease liabilities as of December 31, 2022 were as follows:

(in millions)	December 31, 2022	
	Operating Lease Payments	Finance Lease Payments
2023	\$ 68	\$ 11
2024	56	6
2025	46	2
2026	35	1
2027	25	1
Thereafter	20	—
Total undiscounted lease payments	250	21
Less imputed interest	33	1
Present value of lease liabilities	<u>\$ 217</u>	<u>\$ 20</u>

As of December 31, 2022, the Company had entered into additional operating lease agreements for real estate and equipment totaling \$4 million and an additional finance lease agreement for equipment of \$5 million, which have not commenced and have not been recognized on the Company's Consolidated Balance Sheet. The leases are expected to commence in 2023 with average lease terms of 4 years and 5 years, respectively.

Note 8 - Goodwill and Intangible Assets, Net

Goodwill

The following table presents the changes in the carrying amount of goodwill, by reportable segment:

(in millions)	Commercial	Government	Transportation	Total
Balance at December 31, 2020	\$ 837	\$ 623	\$ 68	\$ 1,528
Foreign currency translation	(14)	(6)	(7)	(27)
Assets Held For Sale	(162)	—	—	(162)
Balance at December 31, 2021	\$ 661	\$ 617	\$ 61	\$ 1,339
Foreign currency translation	(20)	(2)	(4)	(26)
Impairment	(358)	—	—	(358)
Transfer of goodwill between segments	4	(4)	—	—
Balance at December 31, 2022	\$ 287	\$ 611	\$ 57	\$ 955
Gross goodwill	\$ 2,198	\$ 1,365	\$ 637	\$ 4,200
Accumulated impairment	(1,911)	(754)	(580)	(3,245)
Balance at December 31, 2022	\$ 287	\$ 611	\$ 57	\$ 955

As of January 1, 2022, the Company underwent an internal reorganization in its Commercial reportable segment resulting in the previous four Commercial operating segments being combined into one single operating segment and reporting unit, led by a single segment manager.

The Company considered the reorganization in the first quarter of 2022 a triggering event and performed an interim qualitative goodwill impairment assessment of the reporting units before and after the reorganization and concluded no impairment existed at the time of the change.

Additionally, as part of the reorganization in the first quarter of 2022, certain clients were reassigned from the Government reportable segment to the Commercial reportable segment. This change resulted in less than 1% of goodwill being reallocated between the reporting units within the two reportable segments.

The Company performed its annual goodwill impairment test as of October 1, 2022. This testing did not identify any goodwill impairment and, accordingly, no impairment charge was recorded.

Impairment Charge

After completing the annual impairment test, the Commercial reporting unit experienced lower than expected new customer contract signings (all subsequent to November 1, 2022), and an unexpected softening of the future business pipeline for certain solutions. Management believed these were driven by macroeconomic conditions present in the fourth quarter of 2022. The combination of these factors led management, in December 2022, to review the Commercial reporting unit and further evaluate the portfolio. These factors triggered the need for management to perform a goodwill impairment assessment for this reporting unit as of December 31, 2022, which resulted in a pre-tax impairment charge of \$358 million.

The fair values of the goodwill impairment charge were estimated based on a determination of the implied fair value of goodwill, leveraging the results from the Income Approach and Market Approach, and are designated as level 3 of the fair value hierarchy.

In connection with the Commercial reporting unit impairment assessment, the Company first performed a recoverability assessment of long-lived assets and concluded that such assets were not impaired.

Intangible Assets, Net

Net intangible assets were \$39 million at December 31, 2022 of which \$37 million, \$2 million and \$0 million relate to the Company's Commercial, Government and Transportation segments, respectively. Intangible assets were comprised exclusively of Customer relationships as follows:

(in millions, except years)	Weighted Average Amortization	December 31, 2022			December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Total Intangible Assets	14 years	\$ 95	\$ 56	\$ 39	\$ 1,658	\$ 1,606	\$ 52

Amortization expense related to intangible assets was \$13 million, \$135 million and \$239 million for the years ended December 31, 2022, 2021 and 2020, respectively. Amortization expense is expected to approximate \$7 million in 2023, \$5 million in 2024, \$4 million in 2025, \$4 million in 2026 and \$3 million in 2027.

Note 9 – Restructuring Programs and Related Costs

The Company engages in a series of restructuring programs related to downsizing its employee base, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce its cost structure and improve productivity. The implementation of the Company's operational efficiency improvement initiatives has reduced the Company's real estate footprint across all geographies and segments resulting in lease right-of-use asset impairments and other related costs. Also included in Restructuring and related costs are incremental, non-recurring costs related to the consolidation of the Company's data centers, which totaled \$10 million, \$23 million and \$23 million for the years ended December 31, 2022, 2021 and 2020, respectively. Management continues to evaluate the Company's businesses and, in the future, there may be additional provisions for new plan initiatives and/or changes in previously recorded estimates as payments are made, or actions are completed.

Costs associated with restructuring, including employee severance and lease termination costs, are generally recognized when it has been determined that a liability has been incurred, which is generally upon communication to the affected employees or exit from the leased facility. In those geographies where the Company has either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, it recognizes employee severance costs when they are both probable and reasonably estimable. Asset impairment costs related to the reduction of the Company's real estate footprint include impairment of operating lease right-of-use (ROU) assets and associated leasehold improvements.

A summary of the Company's restructuring program activity during the two years ended December 31, 2022 is as follows:

(in millions)	Severance and Related Costs	Termination and Other Costs	Asset Impairments	Total
Balance at December 31, 2020	\$ 3	\$ 3	\$ —	\$ 6
Provision	8	27	9	44
Changes in estimates	—	(3)	—	(3)
Total Net Current Period Charges ⁽¹⁾	8	24	9	41
Charges against reserve and currency	(6)	(26)	(9)	(41)
Balance at December 31, 2021	\$ 5	\$ 1	\$ —	\$ 6
Provision	15	12	11	38
Changes in estimates	(1)	—	—	(1)
Total Net Current Period Charges ⁽¹⁾	14	12	11	37
Charges against reserve and currency	(9)	(13)	(11)	(33)
Balance at December 31, 2022	\$ 10	\$ —	\$ —	\$ 10

(1) Represents amounts recognized within the Consolidated Statements of Income (Loss) for the years shown.

The Company also recorded costs related to professional support services associated with the implementation of certain strategic transformation programs of \$2 million, \$4 million and \$8 million during the years ended December 31, 2022, 2021 and 2020, respectively.

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by reportable and non-reportable segment:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Commercial	\$ 6	\$ 4	\$ 11
Government	1	1	1
Transportation	1	1	2
Unallocated Costs ⁽¹⁾	29	35	45
Total Net Restructuring Charges	\$ 37	\$ 41	\$ 59

(1) Represents costs related to the consolidation of the Company's data centers, operating lease ROU asset impairment, termination and other costs not allocated to the segments.

Note 10 – Supplementary Financial Information

The components of Other assets and liabilities were as follows:

(in millions)	December 31,	
	2022	2021
Other Current Assets		
Prepaid expenses	\$ 88	\$ 84
Income taxes receivable	41	46
Value-added tax (VAT) receivable	10	12
Restricted cash	16	5
Current portion of capitalized cloud computing implementation costs, net	5	6
Other	82	75
Total Other Current Assets	\$ 242	\$ 228
Other Current Liabilities		
Accrued liabilities	\$ 211	\$ 246
Litigation related accruals	37	64
Current operating lease liabilities	57	71
Restructuring liabilities	10	6
Income tax payable	2	10
Other taxes payable	16	14
Accrued interest	6	10
Other	43	22
Total Other Current Liabilities	\$ 382	\$ 443
Other Long-term Assets		
Internal use software, net	\$ 189	\$ 181
Deferred contract costs, net ⁽¹⁾	82	73
Product software, net	110	93
Cloud computing implementation costs, net	4	8
Other	104	98
Total Other Long-term Assets	\$ 489	\$ 453
Other Long-term Liabilities		
Income tax liabilities	\$ 7	\$ 15
Unearned income	42	48
Other	20	32
Total Other Long-term Liabilities	\$ 69	\$ 95

(1) Represents capitalized costs associated with obtaining or fulfilling a contract with a customer. The balances at December 31, 2022 and 2021 are expected to be amortized over a weighted average remaining life of approximately 11 and 12 years, respectively. See Note 2 – Revenue for more information.

Note 11 – Debt

The Company classifies its debt based on the contractual maturity dates of the underlying debt instruments. The Company defers costs associated with debt issuance over the applicable term. These costs are amortized as interest expense in the Consolidated Statements of Income (Loss).

Long-term debt was as follows:

(in millions)	Weighted Average Interest Rates at December 31, 2022 ⁽¹⁾	December 31,	
		2022	2021
Term loan A due 2026	4.97 %	\$ 252	\$ 265
Term loan B due 2028	6.42 %	510	515
Senior notes due 2029	6.15 %	520	520
Revolving credit facility maturing 2026	— %	—	100
Finance lease obligations	7.00 %	20	16
Other	3.98 %	33	24
Principal Debt Balance		\$ 1,335	\$ 1,440
Debt issuance costs and unamortized discounts		(23)	(27)
Less: current maturities		(35)	(30)
Total Long-term Debt		\$ 1,277	\$ 1,383

(1) Represents weighted average effective interest rate which includes the effect of discounts and debt issuance costs on issued debt.

Scheduled principal payments due on long-term debt for the next five years (in millions) are as follows:

2023	2024	2025	2026	2027	Thereafter	Total
\$ 35	\$ 31	\$ 26	\$ 230	\$ 9	\$ 1,004	\$ 1,335

Credit Facilities

On October 15, 2021, the Company refinanced its previously outstanding credit facilities by entering into a new senior secured credit agreement among the Company, its subsidiaries CBS, Conduent State & Local Solutions, Inc. (CSLS) and Affiliated Computer Services International B.V., the lenders party thereto and Bank of America, N.A., as the administrative agent (Credit Agreement). The Credit Agreement contains senior secured credit facilities (Senior Credit Facilities) consisting of:

- (i) Senior Secured Term Loan A (Term Loan A) with an aggregate principal amount of \$265 million;
- (ii) Senior Secured Term Loan B (Term Loan B) with an aggregate principal amount of \$515 million; and
- (iii) Senior Revolving Credit Facility maturing 2026 (Revolving Credit Facility) with an aggregate available amount of \$550 million including a sub-limit for up to \$300 million available for the issuance of letters of credit.

During the first quarter of 2022, the Company repaid \$100 million of its \$550 million Revolving Credit Facility that was outstanding as of December 31, 2021. As of December 31, 2022, the Company had no outstanding balance under its Revolving Credit Facility. However, the Company utilized \$2 million of its Revolving Credit Facility capacity to issue letters of credit. The net amount available to be drawn upon under the Revolving Credit Facility as of December 31, 2022, was \$548 million.

The Credit Agreement permits the Company to request incremental term loan borrowings and /or increase commitments, subject to certain limitations and satisfaction of certain conditions.

Borrowings under the Term Loan A, the Term Loan B and the Revolving Credit Facility bear interest, at the Issuers' option, at a rate per annum equal to an applicable margin over a base rate or a Eurocurrency rate, depending on the type of loan. The applicable margin for the Term Loan A and the Revolving Credit Facility for Eurocurrency loans range from 1.75% to 2.75% per annum, depending on certain leverage ratios and for base rate loans range from 0.75% to 1.75% per annum. The margin for Eurocurrency loans at December 31, 2022 was 2.25%. The applicable margin for the Term Loan B for Eurocurrency loans does not change based on leverage ratios and is 4.25% per annum and for base rate loans is 3.25% per annum. In addition to paying interest on outstanding principal under the Revolving Credit Facility, the Company is required to pay a commitment fee ranging from 0.3% to 0.5% per annum to the lenders in respect of unutilized commitments thereunder and the commitment fee was 0.4% at December 31, 2022. Under the terms of the Credit Agreement, in the event there is a benchmark transition, the Eurocurrency rate will reference the benchmark replacement rate as defined in the Credit Agreement. The Company does not anticipate this transition will have any material impact on its consolidated financial statements.

All obligations under the Credit Agreement are unconditionally guaranteed by the Company, CBS and CSLS, and the existing and future direct and indirect wholly owned domestic restricted subsidiaries of CBS (subject to certain exceptions). All obligations under the Credit Agreement are secured, subject to certain exceptions, by a first-priority pledge of substantially all assets of CBS and the subsidiary guarantors, and all of the capital stock of CBS and each of CBS' wholly owned material restricted subsidiaries directly held by CBS and CSLS or a subsidiary guarantor (which pledges, in the case of any foreign subsidiary, are limited to 65% of the capital stock of any first-tier foreign subsidiary).

The Credit Agreement contains certain customary affirmative and negative covenants, restrictions, prepayment terms and events of default. It requires the consolidated first lien net leverage ratio to not exceed 3.50 to 1.00. This covenant applies to the Term Loan A and Revolving Credit Facility. The covenant is tested as of the last day of any fiscal quarter commencing with the first full fiscal quarter after the closing date. As of December 31, 2022, the Company was in compliance with all debt covenants related to the Senior Credit Facilities. No mandatory debt prepayments were made as it was not required pursuant to the terms of the Credit Agreement.

Senior Notes

Concurrent with the Credit Agreement, on October 15, 2021, CBS and CSLS (collectively, the Issuers) issued 6.00% fixed rate senior notes due 2029 (Senior Notes). The Senior Notes are guaranteed on a senior secured basis by the Company and existing and future material direct and indirect wholly owned domestic subsidiaries of CBS that guaranteed the obligations under the Senior Credit Facilities.

Interest is payable semi-annually. Prior to November 1, 2024, the Issuers can redeem the Senior Notes, in whole or in part, at a price equal to the principal amount of the Senior Notes, plus a make-whole premium plus accrued and unpaid interest. The Issuers can redeem the Senior Notes, in whole or in part, at any time on or after November 1, 2024, at the redemption prices specified in the Indenture governing the Senior Notes, plus accrued and unpaid interest, if any, up to but excluding the redemption date. In addition, the Company may be required to make an offer to purchase the notes upon the sale of certain assets and upon a change of control. No Senior Notes were redeemed in 2022.

Debt Issuance Costs and Discount

In connection with the refinancing, the Company recorded deferred discounts and debt issuance costs of \$30 million in 2021. Additionally, the Company wrote-off debt issuance costs and discounts related to its previously outstanding credit facilities of \$13 million which is included in Loss on extinguishment of debt in the Consolidated Statements of Income (Loss) for the year ended December 31, 2021.

Interest

Interest paid on short-term and long-term debt amounted to \$84 million, \$40 million and \$51 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Interest expense and interest income were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Interest expense	\$ 84	\$ 55	\$ 60
Interest income ⁽¹⁾	7	1	2

(1) Included in Other (income) expenses, net on the Consolidated Statements of Income (Loss).

Note 12 – Financial Instruments

The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. The Company manages its exposure to these market risks through regular operating and financing activities and, when appropriate, using derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates. The Company enters limited types of derivative contracts to manage foreign currency exposures that it hedges. The primary foreign currency market exposures include the Philippine Peso and Indian Rupee. The fair market values of all the Company's derivative contracts

change with fluctuations in interest rates or currency exchange rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes. The related cash flow impacts of all derivative activities are reflected as cash flows from operating activities.

The Company does not believe there is significant risk of loss in the event of non-performance by the counterparty associated with its derivative instruments because these transactions are executed with a major financial institution. Further, the Company's policy is to deal only with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

Summary of Foreign Exchange Hedging Positions

At December 31, 2022 and 2021, the Company had outstanding forward exchange with gross notional values of \$104 million and \$150 million, respectively. At December 31, 2022, approximately 68% of these contracts mature within three months, 13% in three to six months, 15% in six to twelve months and 4% in greater than 12 months.

The following is a summary of the primary hedging positions and corresponding fair values:

(in millions)	December 31, 2022		December 31, 2021	
	Gross Notional Value	Fair Value Asset (Liability) ⁽¹⁾	Gross Notional Value	Fair Value Asset (Liability) ⁽¹⁾
Currencies Hedged (Buy/Sell)				
Philippine Peso/U.S. Dollar	\$ 50	\$ —	\$ 55	\$ (2)
Indian Rupee/U.S. Dollar	37	(1)	47	1
Euro/U.S. Dollar	1	—	18	—
All Other	16	—	30	—
Total Foreign Exchange Hedging	\$ 104	\$ (1)	\$ 150	\$ (1)

(1) Represents the net receivable (payable) amount included in the Consolidated Balance Sheet.

Note 13 – Fair Value of Financial Assets and Liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP established a hierarchy framework to classify the fair value based on the observability of significant inputs to the measurement. The levels of the fair value hierarchy are as follows:

Level 1: Fair value is determined using an unadjusted quoted price in an active market for identical assets or liabilities.

Level 2: Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities.

Summary of Financial Assets and Liabilities Accounted for at Fair Value on a Recurring Basis

The following table represents assets and liabilities measured at fair value on a recurring basis. The basis for the measurement at fair value in all cases was Level 2.

(in millions)	December 31, 2022	December 31, 2021
Assets:		
Foreign exchange contract - forward	\$ —	\$ 1
Total Assets	\$ —	\$ 1
Liabilities:		
Foreign exchange contracts - forward	\$ 1	\$ 2
Total Liabilities	\$ 1	\$ 2

Summary of Other Financial Assets and Liabilities

The estimated fair values of other financial assets and liabilities were as follows:

(in millions)	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long-term debt	\$ 1,277	\$ 1,155	\$ 1,383	\$ 1,374

The fair value amounts for Cash and cash equivalents, Restricted cash, Accounts receivable, net and Short-term debt approximate carrying amounts due to the short-term maturities of these instruments.

The fair value of Long-term debt was estimated using quoted market prices for identical or similar instruments (Level 2 inputs).

Note 14 – Employee Benefit Plans

Defined Benefit Plans

The Company's remaining benefit obligations and plan assets at December 31, 2022 were \$11 million and \$0 million, respectively. The Company's benefit obligations and plan assets at December 31, 2021 were \$16 million and \$1 million, respectively.

Defined Contribution Plans

The Company has post-retirement savings and investment plans in several countries, including the U.S., U.K. and Canada. In many instances, employees from those defined benefit pension plans that have been amended to freeze future service accruals were transitioned to an enhanced defined contribution plan. In these plans employees are allowed to contribute a portion of their salaries and bonuses to the plans, and the Company matches a portion of the employee contributions. Beginning in 2019, the Company suspended its match to the 401(k) plan for all U.S. salaried employees and extended the suspension to all U.S. hourly employees in the second quarter of 2020. However, the match was reinstated for all U.S. employees in November of 2020.

The Company recorded charges related to its defined contribution plans of \$10 million in 2022, \$21 million in 2021 and \$6 million in 2020.

Note 15 - Income Taxes

Loss before income taxes (pre-tax income (loss)) was as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Domestic loss	\$ (149)	\$ (68)	\$ (186)
Foreign income	22	43	47
Loss Before Income Taxes	\$ (127)	\$ (25)	\$ (139)

Provision (benefit) for income taxes were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Federal Income Taxes			
Current	\$ 30	\$ 6	\$ (22)
Deferred	14	(23)	(17)
Foreign Income Taxes			
Current	9	15	18
Deferred	(2)	2	(4)
State Income Taxes			
Current	8	3	5
Deferred	(4)	—	(1)
Total Provision (Benefit)	<u>\$ 55</u>	<u>\$ 3</u>	<u>\$ (21)</u>

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate was as follows:

	Year Ended December 31,		
	2022	2021	2020
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Nondeductible expenses	(3.5)%	(15.5)%	(2.1)%
Change in valuation allowance for deferred tax assets	(8.0)%	(20.4)%	0.6 %
State taxes, net of federal benefit	(2.4)%	(8.6)%	(2.1)%
Tax-exempt income, credits and incentives	3.0 %	38.4 %	5.1 %
Foreign rate differential adjusted for U.S. taxation of foreign profits ⁽¹⁾	(1.9)%	(11.1)%	(0.9)%
Divestitures	(17.9)%	2.1 %	— %
Impairments ⁽²⁾	(39.8)%	(3.1)%	— %
Unrecognized tax benefits	6.6 %	0.8 %	(1.2)%
Audit and other tax adjustments	(1.2)%	(22.9)%	(5.3)%
Excess tax benefits	0.6 %	7.5 %	— %
Other ⁽³⁾	(0.4)%	2.1 %	— %
Effective Income Tax Rate	<u>(43.9)%</u>	<u>(9.7)%</u>	<u>15.1 %</u>

- (1) The "Foreign rate differential adjusted for U.S. taxation of foreign profits" includes the U.S. tax, net of foreign tax credits, associated with actual and deemed repatriations of earnings from our non-U.S. subsidiaries.
- (2) Impairment represents adjustments for the non-deductible component of goodwill in 2022 and impairment of an equity investment in 2021.
- (3) In 2022, the "Other" line includes immaterial reconciling items. In 2021, the "Other" line includes two reconciling items above 5% of the federal statutory rate. The impact to the effective rate is driven by the low pretax book income in 2021, and these items are otherwise immaterial.

On a consolidated basis, the Company paid \$53 million and \$25 million and received a refund of \$1 million in combined income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2022, 2021 and 2020, respectively.

Unrecognized Tax Benefits and Audit Resolutions

The Company recognizes tax liabilities when, despite its belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Each period the Company assesses uncertain tax positions for recognition, measurement and effective settlement. Benefits from uncertain tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Where the Company has determined that its tax return filing position does not satisfy the more-likely-than-not recognition threshold, the Company has recorded no tax benefits.

The Company is also subject to ongoing tax examinations in numerous jurisdictions due to the extensive geographical scope of its operations. Ongoing assessments of the more-likely-than-not outcomes of the

examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact its operating results. The specific timing of when the resolution of each tax position will be reached is uncertain.

As of December 31, 2022, the Company had \$12 million of unrecognized tax benefits that, if recognized, would impact the Company's effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

(in millions)	2022	2021	2020
Balance at January 1	\$ 23	\$ 23	\$ 24
Additions related to prior years positions	1	3	3
Reductions related to prior years positions	(2)	(3)	—
Settlements with taxing authorities	(5)	—	(4)
Lapse of Statute of limitations	(5)	—	—
Balance at December 31	<u>\$ 12</u>	<u>\$ 23</u>	<u>\$ 23</u>

The Company maintains offsetting benefits from other jurisdictions of \$1 million, \$12 million and \$15 million, at December 31, 2022, 2021 and 2020, respectively. The Company recognized interest and penalties accrued on unrecognized tax benefits within income tax expense. The Company had \$3 million, \$12 million and \$13 million accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2022, 2021 and 2020, respectively. We are subject to federal income taxes in the U.S. and to income taxes in various states and foreign jurisdictions. In the U.S., the Company is no longer subject to U.S. federal income tax examinations for years before 2017. With limited exceptions, as of December 31, 2022, we are no longer subject to state, local or foreign examinations by tax authorities for years before 2017.

Deferred Income Taxes

The Company is indefinitely reinvested in the undistributed earnings of its foreign subsidiaries with respect to the U.S. These foreign subsidiaries have aggregate cumulative undistributed earnings of \$326 million as of December 31, 2022. For years after 2017, the Tax Reform does allow for certain earnings to be repatriated free from U.S. Federal taxes. However, the repatriation of earnings could give rise to additional tax liabilities. The Company has also not provided for deferred taxes on outside basis differences in its investments in its foreign subsidiaries. A determination of the unrecognized deferred taxes related to these other components of the Company's outside basis differences is not practicable. The Company has provided for deferred taxes with respect to certain unremitted earnings of foreign subsidiaries that are not indefinitely reinvested between foreign subsidiaries outside of the U.S.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes were as follows:

(in millions)	December 31,	
	2022	2021
Deferred Tax Assets		
Net operating losses and capital loss carryforward	\$ 99	\$ 84
Operating reserves, accruals and deferrals	46	49
Deferred compensation	6	5
Settlement reserves	12	18
Operating lease liabilities	54	63
Tax credits	6	42
Capitalized research and experimentation costs	13	—
Other	3	4
Subtotal	239	265
Valuation allowance	(102)	(82)
Total	<u>\$ 137</u>	<u>\$ 183</u>
Deferred Tax Liabilities		
Intangibles and goodwill	\$ 44	\$ 79
Depreciation	90	85
Operating lease right-of-use assets	49	56
Other	17	18
Total	<u>\$ 200</u>	<u>\$ 238</u>
Total Deferred Tax Assets (Liabilities), Net	<u>\$ (63)</u>	<u>\$ (55)</u>

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2022 and 2021 was an increase of \$20 million and a decrease of \$1 million, respectively. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which the Company has concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.

Although realization is not assured, the Company has concluded that it is more-likely-than-not that the deferred tax assets, for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

At December 31, 2022, the Company had tax credit carryforwards of \$6 million available to offset future income taxes, which will expire between 2027 and 2042, if not utilized.

The following table presents the Company's worldwide net operating loss carryforwards (NOLs) as of December 31, 2022 and 2021:

(in millions)	December 31, 2022		December 31, 2021	
	Gross	Tax Effected	Gross	Tax Effected
U.S. Federal NOLs limited by Section 382 of the Tax Code	\$ 4	\$ 1	\$ 5	\$ 1
U.S. State NOLs	367	19	542	30
Foreign NOLs	304	76	199	50
Total	<u>\$ 675</u>	<u>\$ 96</u>	<u>\$ 746</u>	<u>\$ 81</u>

The Company has \$675 million of gross net operating loss carryforwards for income tax purposes including \$531 million that will expire between 2023 and 2042, if not utilized, and \$144 million available to offset future taxable income indefinitely. The Company had \$6 million of capital loss carryforwards for income tax purposes that will expire in 2024, if not utilized, and \$11 million available to offset future capital gains income indefinitely. The

Company does not expect to receive a tax benefit for the majority of the NOLs presented above, as valuation allowances have been recorded against most of the state and foreign NOLs and capital losses.

Note 16 – Contingencies and Litigation

As more fully discussed below, the Company is involved in a variety of claims, lawsuits, investigations and proceedings concerning a variety of matters, including: governmental entity contracting, servicing and procurement law; intellectual property law; employment law; commercial and contracts law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing its litigation and regulatory matters using available information. The Company develops its view on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts in excess of any accrual for such matter or matters, this could have a material adverse effect on the Company's results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs. The Company believes it has recorded adequate provisions for any such matters as of December 31, 2022. Litigation is inherently unpredictable, and it is not possible to predict the ultimate outcome of these matters and such outcome in any such matters could be more than any amounts accrued and could be material to the Company's results of operations, cash flows or financial position in any reporting period.

Additionally, guarantees, indemnifications and claims arise during the ordinary course of business from relationships with suppliers, customers and non-consolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the Company's Consolidated Financial position or liquidity. As of December 31, 2022, the Company had accrued its estimate of liability incurred under its indemnification arrangements and guarantees.

Litigation Against the Company

Employees' Retirement System of the Puerto Rico Electric Power Authority et al v. Conduent Inc. et al.: On March 8, 2019, a putative class action lawsuit alleging violations of certain federal securities laws in connection with the Company's statements and alleged omissions regarding its financial guidance and business and operations was filed against the Company, its former Chief Executive Officer, and its former Chief Financial Officer in the United States District Court for the District of New Jersey. The complaint seeks certification of a class of all persons who purchased or otherwise acquired the Company's securities from February 21, 2018 through November 6, 2018, and also seeks unspecified monetary damages, costs, and attorneys' fees. The Company moved to dismiss the class action complaint in its entirety. In June 2020, the Court denied the motion to dismiss and allowed the claims to proceed. The Court granted Class Certification on February 28, 2022. Upon the substantial completion of document discovery, the parties agreed to engage in mediation, and the Court administratively terminated the litigation to permit those efforts to proceed. Without any admission of liability or damages, in the third quarter of 2022, the parties settled this matter following that mediation, and filed the necessary documentation for preliminary approval by the court, class notice, and the claims administration process. The Court granted preliminary approval of the settlement terms and related documentation on January 27, 2023, with a final Settlement Hearing scheduled for May 24, 2023. The Court's order notes that it "will likely be able to approve the proposed Settlement as fair, reasonable and adequate under Federal Rule of Civil Procedure 23(e)(2)." As a result, during the fourth quarter of 2022, the Company reversed the reserve pertaining to this matter. The Company maintains insurance that covers the costs arising out of this litigation and resulting settlement having met the deductible and other terms and conditions thereof.

Skyview Capital LLC and Continuum Global Solutions, LLC v. Conduent Business Services, LLC: On February 3, 2020, plaintiffs filed a lawsuit in the Superior Court of New York County, New York. The lawsuit relates to the sale of a portion of Conduent Business Service, LLC's (CBS) select standalone customer care call center

business to plaintiffs, which sale closed in February 2019. Under the terms of the sale agreement, CBS received approximately \$23 million of notes from plaintiffs (Notes). The lawsuit alleges various causes of action in connection with the acquisition, including: indemnification for breach of representation and warranty; indemnification for breach of contract and fraud. Plaintiffs allege that their obligation to mitigate damages and their contractual right of set-off permits them to withhold and deduct from any amounts that are owed to CBS under the Notes, and plaintiffs seek a judgement that they have no obligation to pay the Notes. On August 20, 2020, Conduent filed a counterclaim against Skyview LLC (Skyview) seeking the outstanding balance on the Notes, the amounts owed for the Jamaica deferred closing, and other transition services agreement and late rent payment obligations. Conduent also moved to dismiss Skyview's claims in 2020. In May 2021, the court denied the motion and allowed the claims to proceed. This matter has been proceeding through fact and expert discovery. Conduent denies all of the plaintiffs' allegations, believes that it has strong defenses to all of plaintiffs' claims and will continue to defend the litigation vigorously. The Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Dennis Nasrawi v. Buck Consultants et al.: On October 8, 2009, plaintiffs filed a lawsuit in the Superior Court of California, Stanislaus County, and on November 24, 2009, the case was removed to the U.S. Court for the Eastern District of California, Fresno Division. Plaintiffs alleged actuarial negligence against Buck Consultants, LLC (Buck), which was a wholly-owned subsidiary of Conduent, for the use of faulty actuarial assumptions in connection with the 2007 actuarial valuation for the Stanislaus County Employees Retirement Association (StanCERA). Plaintiffs alleged that the employer contribution rate adopted by StanCERA based on Buck's valuation was insufficient to fund the benefits promised by the County. On July 13, 2012, the Court entered its ruling that the plaintiffs lacked standing to sue in a representative capacity on behalf of all plan participants. The Court also ruled that plaintiffs had adequately pleaded their claim that Buck allegedly aided and abetted StanCERA in breaching its fiduciary duty. Plaintiffs then filed their Fifth Amended Complaint and added StanCERA to the litigation. Buck and StanCERA filed demurrers to the amended complaint. On September 13, 2012, the Court sustained both demurrers with prejudice, completely dismissing the matter and barring plaintiffs from refiling their claims. Plaintiffs appealed, and ultimately the California Court of Appeals (Sixth District) reversed the trial court's ruling and remanded the case back to the trial court as to Buck only, and only with respect to plaintiff's claim of aiding and abetting StanCERA in breaching its fiduciary duty. This case was stayed pending the outcome of parallel litigation the plaintiffs were pursuing against StanCERA. The parallel litigation was tried before the bench in June 2018, and on January 24, 2019, the Court found in favor of StanCERA, holding that it had not breached its fiduciary duty to plaintiffs. In August 2018, the Company sold Buck; however, the Company retained this liability after the sale. On April 26, 2019, plaintiffs in the parallel litigation filed an appeal. On December 8, 2021, the appellate court affirmed the trial court's decision, and the judgment became final on January 7, 2022. On January 18, 2022, Plaintiffs in the parallel litigation filed a petition for review to the California Supreme Court. On March 16, 2022, the California Supreme Court denied Plaintiffs' petition, thereby foreclosing further avenues for Plaintiffs. Plaintiffs filed their Notice of Dismissal, which the Court entered on March 22, 2022. As a result, during the first quarter of 2022, the Company reversed the reserve pertaining to this matter.

Conduent Business Services, LLC v. Cognizant Business Services Corporation: On April 12, 2017, CBS filed a lawsuit against Cognizant Business Services Corporation (Cognizant) in the Supreme Court of New York County, New York. The lawsuit relates to the Amended and Restated Master Outsourcing Services Agreement effective as of October 24, 2012, and the service delivery contracts and work orders thereunder, between CBS and Cognizant, as amended and supplemented (Contract). The Contract contains certain minimum purchase obligations by CBS through the date of expiration. The lawsuit alleges that Cognizant committed multiple breaches of the Contract, including Cognizant's failure to properly perform its obligations as subcontractor to CBS under CBS's contract with the New York Department of Health to provide Medicaid Management Information Systems. In the lawsuit, CBS seeks damages in excess of \$150 million. During the first quarter of 2018, CBS provided notice to Cognizant that it was terminating the Contract for cause and recorded in the same period certain charges associated with the termination. CBS also alleges that it terminated the Contract for cause, because, among other things, Cognizant violated the Foreign Corrupt Practices Act. In its answer, Cognizant asserted two counterclaims for breach of contract seeking recovery of damages in excess of \$47 million, which includes amounts alleged not paid to Cognizant under the Contract and an alleged \$25 million termination fee. Cognizant's second amended counterclaim increased Cognizant's damages to \$89 million. The matter has been proceeding through fact and expert discovery, and a mediation has been scheduled for late February 2023. CBS will continue to defend itself vigorously against the counterclaims and at this time, the Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Other Matters

During the first quarter of 2022, the Company entered into settlement agreements with six of its insurers under its 2012–2013 errors and omission insurance policy in which the Company agreed to resolve its claims for insurance coverage in connection with the previously disclosed State of Texas matter that settled in February 2019. As a result of the settlement agreements entered with the insurers, the Company received an aggregate sum of \$38 million, of which \$14 million was recognized as defense costs recovery in Selling, general and administrative and \$24 million was recognized in Litigation settlements (recoveries), net.

Since 2014, Xerox Education Services, Inc. (XES) has cooperated with several federal and state agencies regarding a variety of matters, including XES' self-disclosure to the U.S. Department of Education (Department) and the Consumer Financial Protection Bureau (CFPB) that some third-party student loans under outsourcing arrangements for various financial institutions required adjustments. With the exception of one remaining state attorney general inquiry, the Company has resolved all investigations by the CFPB, several state agencies, the Department and the U.S. Department of Justice. The Company cannot provide assurance that the CFPB, another regulator, a financial institution on behalf of which XES serviced third-party student loans, or another party will not ultimately commence a legal action against XES in which fines, penalties or other liabilities are sought from XES. Nor is the Company able to predict the likely outcome of these matters, should any such matter be commenced, or reasonably provide an estimate or range of estimates of any loss in excess of currently recorded reserves. The Company could, in future periods, incur judgments or enter into settlements to resolve these potential matters for amounts in excess of current reserves and there could be a material adverse effect on the Company's results of operations, cash flows and financial position in the period in which such change in judgment or settlement occurs.

Guarantees and Indemnifications

Indemnifications Provided as Part of Contracts and Agreements

Acquisitions/Divestitures:

The Company has indemnified, subject to certain deductibles and limits, the purchasers of businesses or divested assets for the occurrence of specified events under certain of its divestiture agreements. In addition, the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants, including such matters as adequate title to assets sold, intellectual property rights and certain income taxes arising prior to the date of acquisition. Where appropriate, an obligation for such indemnifications is recorded as a liability at the time of the acquisition or divestiture. Since the obligated amounts of these types of indemnifications are often not explicitly stated or are contingent on the occurrence of future events, the overall maximum amount, or range of amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, the Company has not historically made significant payments for these indemnifications. Additionally, under certain of the Company's acquisition agreements, it has provided for additional consideration to be paid to the sellers if established financial targets are achieved within specific timeframes post-closing. The Company has recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. Contingent obligations related to indemnifications arising from divestitures and contingent consideration provided for by acquisitions are not expected to be material to the Company's financial position, results of operations or cash flows.

Other Agreements:

The Company is also party to the following types of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters:

- Guarantees on behalf of the Company's subsidiaries with respect to real estate leases. These lease guarantees may remain in effect after the sale of the subsidiary.
- Agreements to indemnify various service providers, trustees and bank agents from any third-party claims related to their performance on the Company's behalf, except for claims that result from the third-party's own willful misconduct or gross negligence.
- Guarantees of the Company's performance in certain services contracts to its customers and indirectly the performance of third parties with whom the Company has subcontracted for their services. This includes indemnifications to customers for losses that may be sustained because of the Company's performance of services at a customer's location.

In each of these circumstances, payment is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract and such procedures also typically allow the Company to challenge the other party's claims. In the case of lease guarantees, the Company may contest the liabilities asserted under the lease. Further, obligations under these agreements and guarantees may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments it made.

Intellectual Property Indemnifications

The Company does not own all of the software that it uses to run its business. Instead, the Company licenses this software from a small number of primary vendors. The Company indemnifies certain software providers against claims that may arise as a result of the Company's use or its subsidiaries', customers' or resellers' use of their software in the Company's services and solutions. These indemnities usually do not include limits on the claims, provided the claim is made pursuant to the procedures required in the services contract.

Indemnification of Officers and Directors

The Company's corporate by-laws require that, except to the extent expressly prohibited by law, the Company must indemnify its officers and directors against judgments, fines, penalties and amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with civil or criminal action or proceedings or any appeal, as it relates to their services to the Company and its subsidiaries. Although the by-laws provide no limit on the amount of indemnification, the Company may have recourse against its insurance carriers for certain payments made by the Company. However, certain indemnification payments may not be covered under the Company's directors' and officers' insurance coverage. The Company also indemnifies certain fiduciaries of its employee benefit plans for liabilities incurred in their service as fiduciary whether or not they are officers of the Company. Finally, in connection with the Company's acquisition of businesses, it may become contractually obligated to indemnify certain former and current directors, officers and employees of those businesses in accordance with pre-acquisition by-laws or indemnification agreements or applicable state law.

Other Contingencies

Certain contracts, primarily in the Company's Government and Transportation segments, require the Company to provide a surety bond or a letter of credit as a guarantee of performance. As of December 31, 2022, the Company had \$622 million of outstanding surety bonds issued to secure its performance of contractual obligations with its clients and \$91 million of outstanding letters of credit issued to secure the Company's performance of contractual obligations to its clients as well as other corporate obligations. In general, the Company would only be liable for these guarantees in the event of default in the Company's performance of its obligations under each contract. The Company believes it has sufficient capacity in the surety markets and liquidity from its cash flow and its various credit arrangements to allow it to respond to future requests for proposals that require such credit support.

Note 17 - Preferred Stock

Series A Preferred Stock

In connection with the December 31, 2016 separation from the Company's former parent company (Separation), the Company issued 120,000 shares of Series A convertible perpetual preferred stock with an aggregate liquidation preference of \$120 million and an initial fair value of \$142 million. The Series A convertible preferred stock pays quarterly cash dividends at a rate of 8% per year (\$9.6 million per year). Each share of the Series A convertible preferred stock is convertible at any time, at the option of the holder, into 44.9438 shares of common stock for a total of 5,393,000 shares (reflecting an initial conversion price of approximately \$22.25 per share of common stock), subject to customary anti-dilution adjustments.

If the closing price of the Company's common stock exceeds 137% of the initial conversion price for 20 out of 30 trading days, the Company has the right to cause any or all of the Series A convertible preferred stock to be converted into shares of common stock at the then applicable conversion rate. The Series A convertible preferred stock is also convertible, at the option of the holder, upon a change in control, at the applicable conversion rate plus an additional number of shares determined by reference to the price paid for the Company's common stock upon such change in control. In addition, upon the occurrence of certain fundamental change events, including a change in control or the delisting of Conduent's common stock, the holder of Series A convertible preferred stock has the right to require the Company to redeem any or all of the Series A convertible preferred stock in cash at a redemption price per share equal to the liquidation preference and any accrued and unpaid dividends to, but not including, the

redemption date. As a result of the contingent redemption feature, the Series A convertible preferred stock is classified as temporary equity and reflected separately from permanent equity in the Consolidated Balance Sheets.

Note 18 – Shareholders' Equity

Preferred Stock

As of December 31, 2022, the Company had one class of preferred stock outstanding. Refer to Note 17 – Preferred Stock for further information. The Company is authorized to issue approximately 100 million shares of convertible preferred stock at \$0.01 par value per share.

Common Stock

The Company has 1 billion authorized shares of common stock at \$0.01 par value per share. At December 31, 2022, 25.9 million shares were reserved for issuance under the Company's incentive compensation plans and 5.4 million shares were reserved for conversion of the Series A convertible preferred stock.

Stock Compensation Plans

Certain of the Company's employees participate in a long-term incentive plan. The Company's long-term incentive plan authorizes the issuance of restricted stock units / shares (RSU), performance stock units / share (PSU) and non-qualified stock options to employees. Stock-based compensation expense includes expense based on the awards and terms previously granted to the employees.

Stock-based compensation expense was as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Stock-based compensation expense, pre-tax	\$ 21	\$ 21	\$ 20
Income tax benefit recognized in earnings	4	3	3

Restricted Stock Units / Shares Compensation expense is based upon the grant date market price. The compensation expense is recorded over the vesting period based on management's estimate of the number of shares expected to vest. The Company's RSU awards typically vest in three separate and equal tranches over a three-year period. Each tranche vests annually, at December 31, following the date of grant.

In 2022, the Company issued 312 thousand Deferred Stock Units (DSU) to non-employee members of the Board of Directors. DSU awards typically vest in accordance with certain service conditions.

Performance Stock Units / Shares: The Company has granted PSUs under various scenarios including:

- PSUs that vest contingent upon its achievement of certain specified financial performance criteria over a three-year period. If the three-year actual results exceed the stated targets, then the plan participants have the potential to earn additional shares of common stock, which cannot exceed 50% of the original grant. The fair value of these PSUs is based upon the market price of Conduent's common stock on the date of the grant. Compensation expense is recognized over the vesting period, which is two years and nine months from the date of grant, based on management's estimate of the number of shares expected to vest. If the stated targets are not met, any recognized compensation cost would be reversed.
- PSUs that vest contingent upon the increase of Conduent's stock price to certain levels over a two year and nine-month period from the date of grant. For PSUs granted in 2022, the number of shares eligible to vest may be adjusted upward or downward by 5% based on a total shareholder return modifier, which measures the Company's stock performance relative to the stock performance of the Company's 2022 proxy peers over each measurement period. These PSUs also have a service requirement that must be met for them to vest. The fair value of these PSUs is based upon a Monte Carlo simulation. Compensation expense is recognized over the vesting period based on management's estimate of the number of shares expected to vest.

Summary of Stock-based Compensation Activity

(shares in thousands)	2022		2021		2020	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units / Shares						
Outstanding at January 1	3,792	\$ 4.57	5,620	\$ 3.49	1,741	\$ 13.07
Granted	3,431	5.15	2,677	6.65	7,778	2.25
Vested	(3,238)	4.38	(3,117)	4.69	(2,816)	4.99
Canceled	(820)	4.56	(1,388)	3.96	(1,083)	6.11
Outstanding at December 31	3,165	5.39	3,792	4.57	5,620	3.49
Performance Stock Units / Shares						
Outstanding at January 1	3,609	\$ 4.71	5,453	\$ 3.83	3,597	\$ 16.17
Granted	2,186	4.80	1,545	6.54	7,010	1.37
Vested	(1,688)	2.02	(1,945)	3.37	(3,163)	7.33
Canceled	(1,010)	8.02	(1,444)	5.13	(1,991)	11.91
Outstanding at December 31	3,097	—	3,609	4.71	5,453	3.83

The total unrecognized compensation cost related to non-vested stock-based awards at December 31, 2022 was as follows (in millions):

Awards	Unrecognized Compensation	Remaining Weighted-Average Expense Period (Years)
Restricted Stock Units / Shares	\$ 12	1.7
Performance Stock Units / Shares	4	1.4
Total	\$ 16	

The aggregate intrinsic value of outstanding RSUs and PSUs awards were as follows (in millions):

Awards	December 31, 2022
Restricted Stock Units / Shares	\$ 13
Performance Stock Units / Shares	13

The total intrinsic value and actual tax benefit realized for vested and exercised stock-based awards were as follows:

(in millions)	December 31, 2022			December 31, 2021			December 31, 2020		
	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit
Awards									
Restricted Stock Units / Shares	\$ 13	\$ —	\$ 3	\$ 17	\$ —	\$ 3	\$ 13	\$ —	\$ 3
Performance Stock Units / Shares	7	—	1	11	—	2	14	—	2

Note 19 – Other Comprehensive Income (Loss)

Other Comprehensive Income (Loss) is comprised of the following:

(in millions)	Year Ended December 31,					
	2022		2021		2020	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Currency Translation						
Currency translation adjustments, net	\$ (41)	\$ (41)	\$ (31)	\$ (31)	\$ 8	\$ 8
Reclassification of currency translation adjustments on divestitures	—	—	—	—	—	—
Translation adjustments gains (losses)	\$ (41)	\$ (41)	\$ (31)	\$ (31)	\$ 8	\$ 8
Unrealized Gains (Losses)						
Changes in fair value of cash flow hedges gains (losses)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ —	\$ —
Changes in cash flow hedges reclassified to earnings ⁽¹⁾	—	—	—	—	—	—
Net Unrealized Gains (Losses)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ —	\$ —
Defined Benefit Plans Gains (Losses)						
Reclassification of divested benefit plans and other	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net actuarial/prior service gains (losses)	5	5	1	1	1	1
Changes in Defined Benefit Plans Gains (Losses)	\$ 5	\$ 5	\$ 1	\$ 1	\$ 1	\$ 1
Other Comprehensive Income (Loss)	<u>\$ (37)</u>	<u>\$ (37)</u>	<u>\$ (31)</u>	<u>\$ (31)</u>	<u>\$ 9</u>	<u>\$ 9</u>

(1) Reclassified to Cost of services - refer to Note 12 – Financial Instruments for additional information regarding the Company's cash flow hedges.

Accumulated Other Comprehensive Loss (AOCL)

Below are the balances and changes in AOCL⁽¹⁾:

(in millions)	Currency Translation Adjustments	Gains (Losses) on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance at December 31, 2019	\$ (408)	\$ 3	\$ (2)	\$ (407)
Other comprehensive income (loss) before reclassifications	8	—	1	9
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	8	—	1	9
Balance at December 31, 2020	<u>\$ (400)</u>	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ (398)</u>
Other comprehensive income (loss) before reclassifications	(31)	(1)	1	(31)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	(31)	(1)	1	(31)
Balance at December 31, 2021	<u>\$ (431)</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ (429)</u>
Other comprehensive income (loss) before reclassifications	(41)	(1)	5	(37)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	(41)	(1)	5	(37)
Balance at December 31, 2022	<u>\$ (472)</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ (466)</u>

(1) All amounts are net of tax. Tax effects were immaterial.

Note 20 – Earnings (Loss) per Share

The Company did not declare any common stock dividends in the periods presented.

The following table sets forth the computation of basic and diluted loss per share of common stock:

(in millions, except per share data. Shares in thousands)	Year Ended December 31,		
	2022	2021	2020
Basic Net Earnings (Loss) per Share:			
Net Income (Loss)	\$ (182)	\$ (28)	\$ (118)
Dividend - Preferred Stock	(10)	(10)	(10)
Adjusted Net Income (Loss) Available to Common Shareholders - Basic	\$ (192)	\$ (38)	\$ (128)
Diluted Net Earnings (Loss) per Share:			
Net Income (Loss)	\$ (182)	\$ (28)	\$ (118)
Dividend - Preferred Stock	(10)	(10)	(10)
Adjusted Net Income (Loss) Available to Common Shareholders - Diluted	\$ (192)	\$ (38)	\$ (128)
Weighted Average Common Shares Outstanding - Basic	215,886	212,719	210,018
Common Shares Issuable with Respect to:			
Restricted Stock And Performance Units / Shares	0	0	0
Weighted Average Common Shares Outstanding - Diluted	215,886	212,719	210,018
Net Earnings (Loss) per Share:			
Basic	\$ (0.89)	\$ (0.18)	\$ (0.61)
Diluted	\$ (0.89)	\$ (0.18)	\$ (0.61)

The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive (shares in thousands):

Restricted stock and performance shares/units	5,469	8,210	12,286
Convertible preferred stock	5,393	5,393	5,393
Total Anti-Dilutive and Contingently Issuable Securities	10,862	13,603	17,679

Note 21 – Related Party Transactions

In the normal course of business, the Company provides services to, and purchases from, certain related parties with the same shareholders. The services provided to these entities included those related to human resources, end-user support and other services and solutions. The purchases from these entities included office equipment and related services and supplies. Revenue and purchases from these entities were included in Revenue and Costs of services or Selling, general and administrative, respectively, on the Company's Consolidated Statements of Income (Loss).

Transactions with related parties were as follows:

(in millions)	Year Ended December 31,		
	2022	2021	2020
Revenue from related parties	\$ 11	\$ 16	\$ 24
Purchases from related parties	\$ 26	\$ 28	\$ 36

The Company's receivable and payable balances with related party entities were not material as of December 31, 2022 and 2021.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Responsibility for Financial Statements

Management is responsible for the integrity and objectivity of all information presented in this Annual Report on Form 10-K. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent registered public accountants, PricewaterhouseCoopers LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent registered public accountants. The independent registered public accountants and internal auditors have access to the Audit Committee.

Disclosure Controls and Procedures

The Company's management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to Conduent Incorporated, including our consolidated subsidiaries, and was accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and principal accounting officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding our executive officers required by Item 10 of Part III is set forth in Item 1 of Part I "Business—Information About Our Executive Officers." The information regarding directors is incorporated herein by reference to the section entitled "Proposal 1 - Election of Directors" in our definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our 2023 Annual Meeting of Stockholders (the 2023 Proxy Statement). The 2023 Proxy Statement is expected to be filed within 120 days after the end of our fiscal year ended December 31, 2022.

The information regarding compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated herein by reference to the section entitled "Delinquent Section 16(a) Report" of our 2023 Proxy Statement.

The information required by this Item regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference herein from the subsection entitled "Committee Functions, Membership and Meetings" in the section entitled "Proposal 1 - Election of Directors" in our 2023 Proxy Statement.

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer and principal accounting officer (Finance Code of Conduct). The Finance Code of Conduct can be found on our website at: <https://www.conduent.com/corporate-governance/ethics-and-compliance/>. Information concerning our Finance Code of Conduct can be found under "Corporate Governance" in our 2023 Proxy Statement and is incorporated here by reference. The reference to our website address does not constitute incorporation by reference of any of the information contained on the website, and such information is not a part of this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item included under the following captions under "Proposal 1 - Election of Directors" in our 2023 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis", "Summary Compensation Table", "Grants of Plan-Based Awards in 2022", "Outstanding Equity Awards at 2022 Fiscal Year-End", "Option Exercises and Stock Vested in 2022", "Potential Payments upon Termination or Change in Control", "Annual Director Compensation", "Equity Compensation Plan Information", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee". The information included under the heading "Compensation Committee Report" in our 2023 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated herein by reference to the subsections entitled "Securities Ownership," and "Equity Compensation Plan Information" under "Proposal 1 - Election of Directors" in our 2023 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated herein by reference to the subsection entitled “Certain Relationships and Related Person Transactions” under “Proposal 1 - Election of Directors” in our 2023 Proxy Statement. The information regarding director independence is incorporated herein by reference to the subsections entitled “Corporate Governance” and “Director Independence” in the section entitled “Proposal 1 - Election of Directors” in our 2023 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the section entitled “Proposal 2 - Ratification of Appointment of Independent Registered Public Accounting Firm” in our 2023 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

1. Index to Financial Statements filed as part of this report:
 - Report of Independent Registered Public Accounting Firm (PCAOB ID: 238);
 - Consolidated Statements of Income (Loss) for each of the years in the three-year period ended December 31, 2022;
 - Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2022;
 - Consolidated Balance Sheets as of December 31, 2022 and 2021;
 - Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2022;
 - Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2022;
 - Notes to the Consolidated Financial Statements; and
 - All other schedules are omitted as they are not applicable, or the information required is included in the financial statements or notes thereto.
2. Financial Statement Schedules:
 - Schedule II—Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2022.
3. The exhibits filed herewith are set forth in the exhibit Index included herein.

(b) Management contracts or compensatory plans or arrangements listed that are applicable to the executive officers named in the Summary Compensation Table which appears in the Registrant's 2023 Proxy Statement or to our directors are preceded by an asterisk (*).

SCHEDULE II

Valuation and Qualifying Accounts

For the three years ended December 31, 2022

(in millions)		Balance at beginning of period	Additions charged to expense ⁽¹⁾⁽⁴⁾	Amounts (credited) charged to other income statement accounts ⁽²⁾	Deductions and other, net of recoveries ⁽³⁾⁽⁴⁾	Balance at end of period
Allowance for Credit Losses:						
2022	Accounts Receivable	\$ —	\$ —	\$ —	\$ —	\$ —
2021	Accounts Receivable	2	1	—	(3)	—
2020	Accounts Receivable	2	1	—	(1)	2
Tax Valuation Allowance:						
2022	Tax Valuation	82	34	—	(14)	102
2021	Tax Valuation	83	10	—	(11)	82
2020	Tax Valuation	72	17	—	(6)	83

- (1) *Account Receivables/Contract Assets: additions charged to expense represent bad debt provisions relate to estimated losses due to credit and similar collectability issues.*
- (2) *Account Receivables: Other charges (credits) relate to adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.*
- (3) *Account Receivables/Contract Assets: Deductions and other, net of recoveries primarily relates to receivable and contract asset write-offs, but also includes reclassification to other balance sheet accounts, the impact of foreign currency translation adjustments and recoveries of previously written off receivables and contract assets.*
- (4) *Tax Valuation: tax valuation allowance are primarily related to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.*

ITEM 16. FORM 10-K SUMMARY

None

EXHIBIT INDEX

Document and Location

Exhibit No.	
3.1	Restated Certificate of Incorporation of Registrant as of December 23, 2016. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated December 23, 2016. (See SEC File Number 001-37817).
3.2	Amended and Restated By-Laws of Registrant as amended through December 31, 2016. Incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K dated December 23, 2016. (See SEC File Number 001-37817).
4.1	Indenture, dated as of October 15, 2021, among Conduent Incorporated, Conduent Business Services, LLC, Conduent State & Local Solutions, Inc., Affiliated Business Services International, B.V., the Guarantors party thereto from time to time, the Lenders and L/C Issuers party thereto from time to time and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 4.4(g) to Registrant's Quarterly Report on Form 10-Q dated November 4, 2021. (See SEC File Number 001-37817).
4.2	Description of Securities. Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817)
10.1	Credit Agreement, dated as of October 15, 2021, among Conduent Incorporated, Conduent Business Services, LLC, Conduent State & Local Solutions, Inc., Affiliated Computer Services International B.V., the Guarantors party thereto from time to time, the Lenders and L/C Issuers party thereto from time to time and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.6(f) to Registrant's Quarterly Report on Form 10-Q dated November 14, 2021. (See SEC File Number 001-37817).
10.4(a)	Joinder Agreement to Agreement, dated December 31, 2016, among Conduent Incorporated, Xerox Corporation, Icahn Partners Master Fund LP, Icahn Partners LP, Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., Beckton Corp., High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Jonathan Christodoro and Carl C. Icahn. Incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K dated January 3, 2017. (See SEC File Number 001-37817).
10.4(b)	Agreement, dated January 28, 2016, among Xerox Corporation, Icahn Partners Master Fund LP, Icahn Partners LP, Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., Beckton Corp., High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Jonathan Christodoro and Carl C. Icahn. Incorporated by reference to Exhibit 10.6 to Registrant's Amendment No. 1 to Form 10 dated August 15, 2016. (See SEC File Number 001-37817).
10.5(a)	Exchange Agreement dated October 27, 2016 by and among Darwin A. Deason, Conduent Incorporated and Xerox Corporation. Incorporated by reference to Exhibit 10.14 to Registrant's Amendment No. 5 to Form 10 dated October 28, 2016. (See SEC File Number 001-37817).
10.5(b)	Shareholders Agreement dated December 18, 2018 by and between Darwin Deason and Conduent Incorporated. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated December 18, 2018. (See SEC File Number 001-37817).
*10.6(a)(i)	Form of Restricted Stock Unit Award Agreement 2020 under the PIP. Incorporated by reference to Exhibit 10.6(a)(vi) to the Registrant's Quarterly Report on Form 10-Q dated May 8, 2020. (See SEC File Number 001-37817).
*10.6(a)(ii)	Form of Performance Restricted Stock Unit Award Agreement 2020 under the PIP. Incorporated by reference to Exhibit 10.6(a)(vii) to the Registrant's Quarterly Report on Form 10-Q dated May 8, 2020. (See SEC File Number 001-37817).
*10.6(a)(iii)	Registrant's 2021 Performance Incentive Plan ("2021 PIP"). Incorporated by reference to Annex A to Registrant's Proxy Filing on Schedule 14 dated April 9, 2021. (See SEC File Number 001-37817).

*10.6(a)(iv)	Form of Restricted Stock Unit Award Agreement 2021 under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(x) to the Registrant's Quarterly Report on Form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(v)	Form of Performance Stock Unit Award Agreement 2021 (Revenue Metric) under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xi) to the Registrant's Quarterly Report on Form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(vi)	Form of Performance Stock Unit Award Agreement 2021 (Share Hurdle Metric) under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xii) to the Registrant's Quarterly Report on Form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(vii)	Form of Restricted Stock Unit Award Agreement 2022 under the 2021 PIP
	Incorporated by reference to Exhibit 10.6(a)(ix) to the Registrant's Quarterly Report on Form 10-Q dated May 3, 2022. (See SEC File Number 001-37817).
*10.6(a)(viii)	Form of Performance Restricted Stock Unit Award Agreement 2022 under the 2021 PIP
	Incorporated by reference to Exhibit 10.6(a)(x) to the Registrant's Quarterly Report on Form 10-Q dated May 3, 2022. (See SEC File Number 001-37817).
*10.6(a)(ix)	Form of Agreement for Non-Employee Directors under 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xiii) to the Registrant's Quarterly Report on Form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(x)	Registrant's Equity Compensation Plan for Non-Employee Directors dated as of December 15, 2016 ("ECPNED").
	Incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement No. 333-215361 dated December 29, 2016. (See SEC File Number 001-37817).
*10.6(b)	Registrant's Executive Change in Control Severance Plan dated as of April 25, 2017.
	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated August 28, 2017. (See SEC File Number 001-37817).
*10.6(c)(i)	Letter Agreement dated May 21, 2019 between Conduent Incorporated and Clifford Skelton
	Incorporated by reference to Exhibit 10.6(h) to the Registrant's Current Report on Form 8-K dated May 28, 2019. (See SEC File Number 001-37817).
*10.6(c)(ii)	Letter Agreement dated August 6, 2019 between Conduent Incorporated and Clifford Skelton
	Incorporated by reference to Exhibit 10.6(j) to the Registrant's Current Report on Form 8-K dated August 7, 2019. (See SEC File Number 001-37817).
*10.6(c)(iii)	Letter Agreement dated February 25, 2020 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(e)(ii) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).
*10.6(c)(iv)	Letter Agreement dated February 23, 2021 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(d)(iii) to the Registrant's Annual Report on Form 10-K dated February 24, 2021. (See SEC File Number 001-37817).
*10.6(d)	Letter Agreement dated May 5, 2021 between Conduent Incorporated and Stephen Wood regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated May 5, 2021. (See SEC File Number 001-37817).
*10.6(e)	Letter Agreement dated May 15, 2019 between Conduent Incorporated and Mark S. Brewer.
	Incorporated by reference to Exhibit 10.6(h) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).
*10.6(f)	Letter Agreement dated November 5, 2019 between Conduent Incorporated and Michael Krawitz.
	Incorporated by reference to Exhibit 10.6(i) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).
*10.6(g)	U.S. Executive Severance Policy, as amended

Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q dated August 2, 2022. (See SEC File Number 001-37817)

21.1**	List of subsidiaries of Registrant.
23**	Consent of PricewaterhouseCoopers LLP.
31(a)**	Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31(b)**	Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32***	Certification of CEO and CFO pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Indicates management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

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

CONDUENT INCORPORATED

/s/ CLIFFORD SKELTON

Clifford Skelton
Chief Executive Officer

February 22, 2023

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

February 22, 2023

Signature

Title

Principal Executive Officer:

/s/ CLIFFORD SKELTON

Clifford Skelton

Chief Executive Officer and Director

Principal Financial and Accounting Officer:

/s/ STEPHEN WOOD

Stephen Wood

Executive Vice President, Chief Financial Officer and Principal Accounting Officer

/s/ HUNTER GARY

Hunter Gary

Director

/s/ KATHY HIGGINS VICTOR

Kathy Higgins Victor

Director

/s/ SCOTT LETIER

Scott Letier

Director and Chairman of the Board

/s/ JESSE LYNN

Jesse Lynn

Director

/s/ STEVEN MILLER

Steven Miller

Director

/s/ MICHAEL MONTELONGO

Michael Montelongo

Director

/s/ MARGARITA PALÁU-HERNÁNDEZ

Margarita Paláu-Hernández

Director



Conduent Incorporated
100 Campus Drive, Suite 200
Florham Park, NJ 07932
Conduent.com

5.3 Conduent-2021-Annual-Report



2021 Annual Report

Continuing Our Momentum





Cliff Skelton

Conduent is stronger than ever, and we'll continue to sustain what we've built by pairing our technology-forward solutions with our talented team to drive valuable outcomes for our clients.

To my fellow shareholders,

During 2021, we focused on our clients' success and made significant progress across our business with improved execution, efficiency and better experiences for end users. From a financial perspective, amid the impacts of COVID and various government stimulus programs, we met or exceeded internal and external expectations.

We improved service-level performance, client retention and annual recurring revenue from new business sales — and we ensured our teams could work safely from anywhere to deliver the services people count on every day across the globe. Finally, we enhanced associate engagement, strengthened our diversity and inclusion initiatives and received recognition for our culture.

I'm proud to be partnered with a dedicated team of committed associates who work hard every day on behalf of our clients and one another. As demonstrated by our improved client satisfaction scores for the third consecutive year, the plan we outlined in 2020 is working.

This momentum enabled us to receive industry recognition, such as the 2021 American Business Awards® Gold Stevie® Award for Leading Through Digital Disruption; being named Leader in Cloud HR Transformation from NelsonHall; and Top 15 Service & Technology Provider Standout as well as Customer Experience Services Leader from ISG. In addition, we were named Supplier of the Year by General Motors and received Supplier Excellence recognition by Toyota Financial Services.

Operational excellence

We focused on operational excellence through our “Every Client, Every Time” model.

We drove significant improvements in technology performance and uptime reliability while migrating 17 key data centers to state-of-the-art facilities with more proactive early warning systems and advanced monitoring. These efforts led to substantial increases in program, process and platform speed, thus enabling better service for end users.

We continued to update our solution capabilities with Cloud, AI and automation across our diverse portfolio, driving new levels of efficiency, process optimization and better experiences for our clients’ most important asset: their customers.

All of this was achieved while conducting business-as-usual operations, such as distributing over \$50B in government pandemic stimulus payments and handling nearly 1.3 billion customer service interactions.

Optimization

In 2021, we continued the focus on operational performance — leveraging shared services and workflow standardization across the enterprise to drive efficiencies and savings while optimizing the way we deliver.

We enhanced our leadership team with new talent while simplifying our operating structure to three core businesses late in 2021: Commercial, Government and Transportation. This included adding a dedicated focus on operational excellence where every interaction is an opportunity to exceed expectations.

Improved culture

Through a model of openness, inclusion and teamwork, we continued our journey to make Conduent an even better place to work. Conduent’s dedication to environmental, social and governance (ESG) responsibility remained an integral part of our long-term strategy. We advanced our ESG initiatives, both in our company practices and through our solutions. We published our CSR Report including the Sustainability Accounting Standards Board (SASB) framework and alignment with five of the United Nations’ Sustainable Development Goals (SDGs).

We also advanced our diversity and inclusion initiatives with increased participation in multiple Employee Impact Groups, fostering collaboration across our associate base. We were honored to be recognized in 2021 by *Forbes* as one of the Best Employers for Diversity and as a Best Place to Work for LGBTQ Equality and Diversity by the HRC Foundation and Comparably respectively. At Conduent, we are one team with one mission, and we work hard to ensure each of our team members feels they can be themselves and grow and thrive while making a difference.

Looking ahead

Through hard work, we have fortified our foundation and we are stronger than ever. While we will sustain what we’ve built, it’s all about profitable growth, as shared in our prior year 2021 earnings call. And the core business is doing just that — growing.

Our clients will always be the center of our future and the focus of our strategy. We look forward to continuing our momentum in 2022 and into the future.



Cliff Skelton

Chief Executive Officer
Conduent Incorporated
March 2022

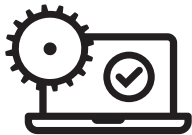
Driving progress in every process for our clients

As one of the largest business process services companies in the world, Conduent works with a majority of Fortune 100 companies and over 500 government entities every day to manage their business processes and millions of essential interactions with their end users.

Through dedicated people, process expertise and technology, such as analytics and automation, Conduent services and solutions create value for our clients by creating efficiencies, improving experiences, reducing costs and enabling revenue growth while better serving millions of end customers that depend on us.



Our Businesses



Commercial

Enhancing customer experience and business process efficiency across the enterprise

- Customer Experience Management
- Human Capital Solutions
- Claims and Administration
- Business Operations Solutions

3/4

insured lives in the U.S. touched by Conduent services

3.7B+

documents captured, indexed and classified annually

\$18B

in total billed reductions from bill review and repricing on workers' compensation claims



Government

Streamlining delivery of government services to constituents in need

- Child Support
- Payments
- Eligibility and Enrollment
- Government Healthcare Solutions

36

Electronic payments for government services in 36 states

49M

Nearly 49 million Medicaid recipients supported

45%

Processing over 45% of SNAP payments on behalf of government entities



Transportation

Creating safe, seamless journeys across the transportation ecosystem

- Road Usage Charging
- Public Safety
- Transit
- Curbside Management

9M

Processing nearly 9M tolling transactions every day

48%

of the transactions of the Top 10 U.S. tolling agencies

\$700M

collected annually for citations and delinquent revenue collections

Board of Directors

Scott Letier

Chairman of the Board
Conduent Incorporated
Managing Director
Deason Capital Services, LLC

Cliff Skelton

Chief Executive Officer
Conduent Incorporated

Hunter Gary

Senior Managing Director
Icahn Enterprises L.P.

Kathy Higgins Victor

President and Chief Executive Officer
Centera Corporation

Jesse A. Lynn

General Counsel
Icahn Enterprises L.P.

Steven Miller

Portfolio Manager
Icahn Capital LP

Michael Montelongo

President and Chief Executive Officer
GRC Advisory Services, LLC

Margarita Paláu-Hernández

Founder and Chief Executive Officer
Hernández Ventures

Shareholder Information

For investor information, including comprehensive earnings releases and this Annual Report, visit <https://investor.conduent.com> or contact Investor Relations at IR@conduent.com

For ESG inquiries, email ESG@conduent.com

Shareholder Services

Call: Computershare at 866.574.5496

Write: Computershare Investor Services
P.O. Box 505000
Louisville, KY 40233-5000

Website: www.computershare.com/investor

Annual Meeting

Wednesday, May 25, 2022, 11:00 a.m. EDT

The Annual Meeting will be conducted virtually, via a live audio webcast.

Access details will be provided via Proxy materials, which will be mailed on April 12, 2022 to shareholders of record as of March 28, 2022.

Electronic Delivery Enrollment

Conduent offers shareholders the convenience of electronic delivery, including:

- Immediate receipt of the Proxy Statement and Annual Report
- Online proxy voting

Registered Shareholders, visit:

www.envisionreports.com/CNDT

Registered shareholders can sign up for future electronic delivery on that site. You are a registered shareholder if your shares are being held by our transfer agent, Computershare.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from: _____ to: _____

Commission File Number 001-37817

CONDUENT INCORPORATED

(Exact Name of Registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

100 Campus Drive, Suite 200, Florham Park, New Jersey

(Address of principal executive offices)

81-2983623

(IRS Employer Identification No.)

07932

(Zip Code)

(844) 663-2638

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CNDT	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Small reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates as of June 30, 2021 was \$1,585,638,435.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at January 31, 2022
Common Stock, \$0.01 par value	215,420,530

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain portions of the Registrant's Notice of 2022 Annual Meeting of Shareholders and Proxy Statement (to be filed with the Securities and Exchange Commission pursuant to Regulation 14A no later than 120 days after the close of the fiscal year covered by this report on Form 10-K).

FORWARD-LOOKING STATEMENTS

From time to time, we and our representatives may provide information, whether orally or in writing, including certain statements in this Annual Report on Form 10-K (Form 10-K), which are deemed to be "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words "anticipate," "believe," "estimate," "expect," "plan," "intend," "will," "aim," "should," "could," "forecast," "target," "may," "continue to," "if," "growing," "projected," "potential," "likely," and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward looking. In addition, all statements regarding the anticipated effects of the novel coronavirus, or COVID-19, pandemic and the responses thereto, including the pandemic's impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken by management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expressed or implied herein as anticipated, believed, estimated, expected or intended or using other similar expressions.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this Form 10-K, any exhibits to this Form 10-K and other public statements we make. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking statements are also subject to the significant continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted.

Important factors and uncertainties that could cause actual results to differ materially from those in our forward-looking statements include, but are not limited to: the significant continuing effects of the ongoing COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted; government appropriations and termination rights contained in our government contracts; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our reliance on third-party providers; our ability to deliver on our contractual obligations properly and on time; changes in interest in outsourced business process services; risk and impact of geopolitical events, natural disasters and other factors (such as pandemics, including coronavirus) in a particular country or region on our workforce, customers and vendors; claims of infringement of third-party intellectual property rights; our ability to estimate the scope of work or the costs of performance in our contracts; the loss of key senior management and our ability to attract and retain necessary technical personnel and qualified subcontractors; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings and protect our intellectual property rights; our ability to modernize our information technology infrastructure and consolidate data centers; the failure to comply with laws relating to individually identifiable information and personal health information; the failure to comply with laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to comply with data security standards; changes in tax and other laws and regulations; risk and impact of potential goodwill and other asset impairments; our significant indebtedness; our ability to obtain adequate pricing for our services and to improve our cost structure; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to receive dividends or other payments from our subsidiaries; developments in various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings; conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes; changes in government regulation and economic, strategic, political and social conditions; volatility of our stock price and the risk of litigation following a decline in the price of our stock; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of

Financial Condition and Results of Operations” section and other sections of this Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission (SEC). Any forward-looking statements made by us speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether because of new information, subsequent events or otherwise, except as required by law.

CONDUENT INCORPORATED

FORM 10-K

December 31, 2021

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PART I

ITEM 1. BUSINESS

In this Form 10-K, unless the content otherwise dictates, "Conduent", the "Company", "we" or "our" mean Conduent Incorporated and its consolidated subsidiaries.

Our Business

As one of the largest business process services companies in the world, we deliver mission-critical services and solutions on behalf of businesses and governments – creating exceptional outcomes for our clients and the millions of people who count on them. Through people, process, expertise in transaction-intensive processing and technology such as analytics and automation, our services and solutions create value by improving customer experience, increasing efficiencies, reducing costs and enabling revenue growth. Eighty percent of Fortune 100 companies and over 500 government entities depend on us every day as their trusted partner to manage their business processes and essential interactions with their end-users.

With roots as one of the original pioneers in global business process outsourcing, we bring deep and diversified expertise across a broad range of industry segments. Our commercial portfolio includes leading solutions in attractive markets such as customer experience management, transaction processing services, healthcare and human resource and learning services. For example, we are a leading provider of medical bill review. In 2021, we administered bill review for and repricing on approximately 28 million medical bills for over 3 million workers compensation claims in the U.S resulting in \$18 billion of total bill reductions on behalf of our clients. In addition, across our commercial and government businesses, we handled approximately 1.3 billion customer service interactions in 2021.

We serve a vast range of the public sector including market leading transportation and government solutions. Our transportation portfolio includes Roadway Charging, Transit, Curbside Management and Public Safety solutions where we process nearly nine million tolling transactions every day. Our government portfolio includes payments, healthcare and eligibility solutions where our systems process over 45% of Supplemental Nutrition Assistance Program (SNAP) payments on behalf of government entities.

We create value for our clients through efficient global service delivery combined with technology-enabled solutions and a personalized and seamless experience for the end-user. We apply our expertise, technology and innovation to continually modernize our offerings for improved customer and constituent satisfaction and loyalty, increased process efficiency and rapid response to changing market dynamics.

With approximately 60,000 dedicated associates globally as of December 31, 2021, we focus on our clients' success across medium and large businesses and governments around the world. Of our global team, 42% is in North America with the remainder located primarily in our delivery centers in Asia Pacific, Latin America and the Caribbean, and Europe. We have received numerous recognitions over the past year for our culture and diversity/inclusion practices.

Conduent is a New York corporation, organized in 2016. Our common stock began trading on January 3, 2017, on the New York Stock Exchange, under the ticker "CNDT". In December 2019, Conduent changed the listing of its publicly traded common stock from the New York Stock Exchange to the NASDAQ Global Select Market (NASDAQ), where it remains listed under the ticker "CNDT".

Our Strategic Focus

Our vision is to become the leading business services partner of choice for businesses and governments globally. Through our dedicated associates, we deliver mission-critical services and solutions on behalf of businesses and governments, creating valuable outcomes for our clients and the millions of people who count on us. To achieve this mission and purpose, we are focused on delivering outcomes simultaneously across three dimensions: Growth, Efficiency and Quality. Our strategy is designed to deliver shareholder value by creating profitable growth, expanding operating margins, focusing on process efficiencies, and deploying a disciplined capital allocation strategy.

We have identified specific execution strategies across Growth, Efficiency and Quality.

Growth: Our opportunity for growth comes from understanding our clients' businesses, strengthening our relationships, and driving valuable outcomes for our clients that enable them to reduce costs, improve efficiencies and customer experience and grow their businesses. To capitalize on the growth opportunities, we are focused on the following strategies:

- **Sales Performance Optimization:** The significant progress and investments in sales training and process improvements during the last couple of years, together with the foundational improvements in operational performance, have resulted in more selling opportunities for us to support the strategies of our existing clients with our portfolio of market-leading services and solutions. In 2021 our add-on sales grew by 44% compared to 2020. We continue to improve client responsiveness and increase sales coverage, including in international markets. We are providing our sales team with regular training tailored for their roles, streamlined processes, and implemented systems to equip them with modern tools that enable them to perform their jobs more efficiently and effectively. The dedication and expertise of our employees have resulted in Conduent serving 47 states and a majority of Fortune 100 companies, including:
 - 17 of the top 20 U.S. health insurers;
 - 7 of the top 10 pharma companies;
 - 4 of the top 5 automakers; and
 - 8 of the top 10 U.S. banks.
- **Offering Development:** We have augmented our portfolio of services and solutions with innovative technology capabilities, including data analytics, robotic process automation (RPA) tools and machine learning capabilities, to create differentiated, high-value services for our clients and penetrate attractive market segments.

As we continued to improve our quality and efficiency in 2021, our clients have renewed contracts with us and given us more business in adjacent service lines, and we've gained new clients. We are measuring more immediate success in "Growth" through revenue retention and new business signings, among other metrics.

Efficiency: We continue to find ways to reduce costs and deliver more effectively via increased efficiencies. We have simplified and standardized our operating model by removing redundant management layers and implementing more robust processes to enable faster decision-making and greater transparency. In addition, we aim to unlock further efficiencies through the following strategies:

- **Automation:** We will continue to invest in embedding intelligent process automation capabilities into operations, including document processing and intelligent virtual assistant customer care tools. Artificial intelligence and machine learning algorithms will complement RPA tools by improving processes through pattern recognition. Additionally, we are exploiting synergies from sharing and coordinating automation capabilities across our enterprise.
- **Technology Consolidation:** We have identified and are rationalizing duplicative technology systems across our lines of business. Centralizing technology systems will drive economies of scale, amplify the impact of investments, and will continue to strengthen consistent, resilient service delivery.

- **Delivery Optimization:** We are continuing to drive efficiencies by delivering common processes with a shared services model that enables economies of scale. We are driving progress in every process through process improvement methodologies and exploiting new staffing models including work from home and flexible “gig worker” models, and optimizing our geographic footprint.

We continue to respond with agility to clients’ shifting needs and have received positive client feedback for our services and proactivity throughout the COVID-19 pandemic. We are measuring success in “Efficiency” by associate retention and improved adjusted earnings before interest, taxes, depreciation, and amortization (Adjusted EBITDA) margin, among other metrics.

Quality: Our clients count on consistent, high-quality service delivery. We continue to drive progress in increasing uptime, improving operational stability, and significantly boosting client confidence and satisfaction by focusing on the following strategies:

- **Proactive, Real time Monitoring of Applications and Service Performance:** We are investing in artificial intelligence and machine learning technologies to proactively monitor and prevent incidents. We have a state-of-the-art global IT command center in Sandy, UT to deliver more seamless and reliable service to our global clients and continued to increase uptime in 2021.
- **Data Center Optimization:** We continue to standardize our technology footprint to improve performance and lower costs. As part of this, we have made significant progress in our data center optimization program to consolidate our multiple data centers into a select few. For example, in 2021 we closed two of our largest facilities in the US, completing these highly complex closures that in turn drove a significant increase in service availability for our clients.
- **Improve End User Experience:** We are improving user interface/user experience across our offerings by expanding self-service tools, launching mobile apps and leveraging analytics to create deeper insights.

Our focus on quality is leading to improved client confidence and satisfaction. The quality of our services is being recognized by clients including receiving the GM Supplier of the Year Award and the Toyota Financial Services Supplier Excellence Award. We are measuring success in “Quality” by indicators such as service level agreement performance, technology incident rates, and client satisfaction.

Investments Strategy: To achieve our business goals, we will invest in a disciplined manner, focused on allocating capital and investing to meet the needs of our clients and supporting our growth strategies. Our balanced investment approach falls into three broad categories:

- Opportunities to optimize, where we have significant scale and where we believe that with process improvements, automation, and an investment into the current offerings, we can improve the end-user experience, reduce our cost of delivery, expand our margins, and further capture additional “share”. An example is high-volume outbound contact center services.
- Opportunities to enhance, where we have strong client relationships and a long history of servicing the markets we operate in, legacy technology that needs to be refreshed or modernized. Examples such as benefit management services in the government sector for healthcare, unemployment insurance and child support fit into this category.
- Opportunities to expand, where we believe we can play and win, and we see the payback as more significant than the other businesses. These businesses, augmented with new capabilities, and with the opportunity to be supplemented by modest acquisitions, will address market dynamics, and provide additional growth opportunities. Our Healthcare and Transportation businesses are expansion opportunities.

Our Market Opportunity

We are exposed to compelling growth across several end markets, including Healthcare, Transportation and Customer Experience Management. We estimate our addressable market size in the global business process service industry to be over \$200 billion in 2021, according to third-party industry reports. Many industry analysts and advisors place us as a leader across several segments in this large, diverse and growing market.

Ongoing competitive pressures and increasing demand for further productivity gains have motivated businesses and government organizations to outsource elements of their day-to-day operations to accelerate performance and improve end-user experience. As a result, our clients have become more focused on their core businesses and the range of outsourced activities has expanded. Increasing globalization has also required many companies to optimize cost structures to retain competitiveness and business process services have become a key component of this strategy.

The ongoing shift to next-generation software and automation technologies is driving greater demand for, and expectation of, efficiency and personalization by the constituents and customers of the businesses and governments we serve. Business process services that streamline operational processes have the potential to meaningfully enhance productivity for businesses and governments and improve satisfaction for their customers and constituents.

We have developed a strong leadership position in the markets that we operate in, with increased recognition across multiple stakeholders, as demonstrated by recognition from industry resources.

- **Industry Analyst Accolades:**

- A leader in Healthcare: Nelson Hall;
- A leader in HR and Learning Services: ISG, Everest Group, Brandon Hall Group; and
- A leader in Customer Experience Services: ISG, Gartner.

- **Market Position:**

- Everest Group Top 50 BPS Providers, #7
- Gartner Market Share Analysis: BPO, Worldwide, #10
- ISG's Top 15 Sourcing Index Standouts – Managed Services, Global Market - The Building 15

Segments

We organize, manage and report our business through three reportable segments:

Commercial Industries: Our Commercial Industries segment provides business process services and customized solutions to clients in a variety of industries. Across the Commercial Industries segment, we operate on our clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for our clients and better experiences for their consumers and employees. Our Commercial Industries segment is our largest segment, with segment revenue for 2021 of \$2,076 million, representing 50% of our total revenues.

Government Services: Our Government Services segment provides government-centric business process services to U.S. federal, state, local and foreign governments for public assistance, health services, program administration, transaction processing and payment services. Our solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations. Government Services segment revenue for 2021 was \$1,318 million, representing 32% of our total revenues.

Transportation: Our Transportation segment provides systems and support, as well as revenue-generating services, to government clients. On behalf of government agencies and authorities in the transportation industry, we deliver mission-critical public safety, mobility and payment solutions that improve automation, interoperability and decision-making to streamline operations, increase revenue and reduce congestion while creating safer communities and seamless travel experiences for consumers. Transportation segment revenue for 2021 was \$746 million, representing 18% of our total revenues.

We present segment financial information in Note 3 – Segment Reporting to our Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K, which is incorporated herein by reference.

Our Service Offerings

Commercial Industries

Our solutions and services include Customer Experience Management (CXM), Business Operations Solutions (BOS), Commercial Healthcare Solutions and Human Resources and Learning Services (HRLS).

- **Customer Experience Management**

- We deliver a full range of omni-channel customer contact services, including customer care, technical support, loyalty management, and outbound and inbound sales. We create better experiences across the customer lifecycle through a variety of channels including social media, chat, email, voice and virtual agent to help customers where and how they want to engage. Through omni-channel communications, automation, and analytics, and labor efficiencies, we help our clients to reduce costs, enable scale and drive revenue growth and efficiencies. We serve marquee clients across multiple sectors including financial services, health and life sciences, manufacturing and automotive, aerospace and defense, consumer goods, retail, technology and telecom, travel, transportation, and hospitality sectors. The CXM business generally generates income on a per call, per call center employee, or per percentage of sales made basis.

- **Business Operations Solutions**

- In our BOS business, we help our clients to transform business processes and drive efficiency, automation and scale across essential business functions. We streamline mission-critical operations through our deep industry experience, understanding of our clients' operations and the latest technology solutions, to reduce costs, improve security and enable revenue growth, while enhancing the end-user experience. Our solutions span customer communications, automated document and data management, payments processing, and finance, accounting, and procurement. We generate revenue in a variety of ways within this business, including per item handled, time and materials, and per service such as postage, web portal hosting or data storage. Our pricing can also be based on achieving specific outcomes for services rendered.

- **Commercial Healthcare Solutions**

- On behalf of the healthcare industry, we deliver administration, clinical support, and medical management solutions across the health ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experience for members and patients. Our solutions span: trials, sales, access, and adherence for pharmaceutical clients; case management, performance management and patient safety for hospital clients; medical bill review, claims processing, care integration, subrogation and payment integrity solutions for managed care companies; and workers compensation medical bill review, mailroom/data capture and medical management services for claims payers and third-party administrators. Through our solutions provided to pharmaceutical clients, we generate revenue either based on a per employee, per transaction basis or a per resource per hour basis. Through our workers compensation and medical bill review services, we generate revenue on a per click and outcome basis. Through our medical bill review, claims processing, and payment integrity solutions provided to managed care companies, we generate revenue on a per member per month basis for use of our platform, as a percentage of what we collect for the provider, or a monthly or annual fee.

- **Human Resources and Learning Services**

- We provide services to help our clients support their employees at all stages of employment from onboarding through retirement. Our solutions span Health Savings Account Solutions, Benefits Solutions, Human Resources (HR) and Payroll Solutions, and Learning Solutions. On behalf of global organizations and governments, we deliver mission-critical, technology-enabled HR services and solutions that improve business processes across the employee journey to maximize business performance, while increasing employee satisfaction, engagement and overall well-being. These solutions span health, benefits, payroll, onboarding and learning administration, annual enrollment, wealth and retirement, HR, talent, and workforce management. Depending on the solution, we generate revenue in a variety of ways. For our Health Savings Account (HSA) Solutions business, we generate revenue via account fees, interchange fees on debit cards, and interest-related revenues as a result of balance fees from depository banks that hold cash deposited into the Savings Account business.

- As of December 31, 2021, we managed approximately 900,000 active HSAs with \$2.7 billion of assets under management. In addition to managing HSAs, we manage Flexible Savings Accounts and other Notional Accounts on behalf of corporations providing incremental benefits to their employees. Within our Benefits Solutions, we principally generate revenue based on the number of employees and retirees we support, as well as transactions generated by client life events such as qualified domestic relations orders, Consolidated Omnibus Budget Reconciliation Act (COBRA) and Affordable Care Act (ACA) administration, which are charged on a per transaction basis. Within our HR and Payroll Solutions, we generate revenue principally per client's employee per period (month / year) pricing, with banding to address periodic variations in client employee headcount. Within our Learning Solutions, we generate revenue principally by transaction-based pricing per unit of production along with fixed monthly governance fees.

Government Services

Our Government solutions and services include Government Healthcare Solutions and Government Service Solutions to streamline delivery of government services to constituents and families in need.

• Government Healthcare Solutions

- We provide mission-critical program administration solutions for State Medicaid and federally-funded healthcare programs in 31 states, the District of Columbia and Puerto Rico and a federal program (US Dept of Labor), which includes nearly 49 million Medicaid recipients supported. Our services include a range of innovative solutions such as Medicaid management, provider services, Medicaid business intelligence, pharmacy benefits management, eligibility and enrollment support, contact center services, application processing, premium billing, and case management solutions. Our case management solutions provide disease surveillance and outbreak management to make it easy to process and access large volumes of digital data. Foreign governments also use our disease surveillance and outbreak case management solution. This can be used to track public health metrics (such as diseases like COVID-19, vitals, and birth defects), perform electronic visit verification, and more. These services help states, counties, and countries optimize their costs by streamlining access to care and improving patient health outcomes through population health management, while helping families in need, by improving beneficiary support. Within the Government Healthcare Solutions business, our revenue is primarily fixed fee or variable price based on a per call, per interaction or per member basis.

• Government Service Solutions

- With more than \$125 billion disbursed annually, we are a leader in government payment disbursements for federally sponsored programs like Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps and Women, Infant and Children (WIC) as well as government-initiated cash disbursements such as child support and Unemployment Insurance (UI). We deliver electronic payments for government services in 36 states, including 113 prepaid debit card programs, 24 Electronic Benefit Transfer (EBT) programs, 13 EBT for WIC programs and 6 Electronic Child Care programs. In our SNAP payments solution, we generate revenue based on the number of cases or number of card holders. Within our UI payment solution, we generate revenue based on interchange fees and spending on cards as a percentage of transactions. Given the increased unemployment rates in the United States earlier in the pandemic as well as the federal stimulus supplemental benefits, this solution saw significantly increased activity in 2020 and 2021.

- We also offer a broad set of child support services predominately to State Disbursement Units (SDUs), including processing and distributing payment, child support payment cards, childcare credentialing and case management, among others, to help states comply with federal standards. Within the child support solution, the way we generate revenue varies by state, but it is generally either per financial transaction, per call, fixed price, or for development.

Transportation

On behalf of government agencies and authorities in the global transportation industry, we deliver fare collection, violation management, notification, mobility and payment solutions that improve automation, interoperability and decision-making to streamline operations, increase revenue and reduce congestion while creating safer communities and seamless travel experiences for consumers.

• **Roadway Charging and Management Services**

- Our electronic tolling, urban congestion management and mileage-based user solutions help clients keep up with an ever-changing environment and get more travelers where they need to go while generating revenue for much-needed infrastructure improvements. Our solutions include vehicle passenger detection systems, electronic toll collection, automated license plate recognition and congestion management solutions. We generate revenue based on a combination of fixed fee and transaction-based pricing. The transaction-based component can be per account per month, per notice mailed, per active account, per violations fees received, or per image-based transaction.

• **Transit Solutions**

- For today's train, bus, subway, metro or other transit travelers, we aim to make journeys more personalized and convenient while increasing capacity and profitability for authorities and agencies. We combine the latest in fare collection and intelligent mobility so that clients can get the added efficiency of having a single point of contact for all their transit solutions. Within transit we primarily generate revenue via implementation of end projects (hardware and software, maintenance services, repair and sale of spare parts), and the building and operation of fare collection systems.

• **Curbside Management Solutions**

- We deliver intelligent curbside management systems that simplify parking programs and deliver convenient and hassle-free experience for drivers. Our curbside solutions include citation and permit administration, parking enforcement, and curbside demand management. In 2021, we processed over 8.2 million payments and collected over \$700 million for citations and delinquent revenue collections. We generate revenue based on violations issued, payment processing transactions, collections activities or a fixed fee for our service.

• **Public Safety Solutions**

- Public safety is a priority in every community, especially as budgets shrink and populations grow. We provide data analytics, automated photo enforcement and other public safety solutions to make streets and communities safer. Our photo enforcement systems include red light, fixed and mobile speed, school bus, work zone, school zone, bus lane only, high occupancy and other enforcement systems. The majority of our contracts within this business are fixed fee based on the number of enforced locations.

• **Commercial Vehicles**

- Although a small part of our transportation business, we provide computer-aided dispatch/automatic vehicle location technology to help customers manage their fleet operations.

Our Competitive Strengths

We possess certain competitive strengths that distinguish us from our competitors, including:

Leadership in attractive growth markets – We are a leading player in business process services delivering exceptional outcomes for our clients at an unparalleled scale. Our clients continue to outsource key business processes to improve efficiencies and to accelerate performance and digital transformation. Additionally, clients are moving beyond services for back-office functions in order to drive customer satisfaction and loyalty. The increase in globalization and cost competition continues to accelerate, forcing companies to seek ways to stay ahead of the competition. These factors, along with clients and their customers demanding more personalized, seamless and secure solutions, are collectively driving the ongoing shift to next-generation solutions and services. Through our portfolio of services and solutions, we have reached significant scale in our interactions including:

- **Healthcare** – U.S. healthcare spending is expected to rise from 17.7% of GDP in 2019 to 19.7% of GDP by 2028 and is projected to grow at an average rate of 5.4% per year between 2019-2028. As one of the most regulated industries, healthcare providers must balance increased utilization with heightened complexity and new financial pressures such as government budget challenges to significantly reduce reimbursements, reimbursement penalties for hospital readmissions and the shift from fee-for-service to “value-based” population health management. We are widely recognized by industry analysts as a leader in healthcare payer operations, serving 17 of the top 20 U.S. health plans and providing administrative and care management solutions to Medicaid programs and federally funded U.S. government healthcare programs in 31 states, the District of Columbia and Puerto Rico. Three out of every four U.S. insured lives are served by Conduent. Conduent’s healthcare capabilities have been recognized by NelsonHall, HfS Research and Everest Group.
- **Transportation** – Traffic congestion continues to increase as urbanization and changing demographics take hold globally. As a result, optimized transportation systems are becoming critical to increase efficiency while maintaining strict safety requirements. Electronic toll collection, public transit and parking all represent key growth drivers as governments at all levels increasingly focus on transportation infrastructure. We are an award-winning innovator in parking management.
- **Business Operations Solutions** – We provide high volume print and mail services, enrollment processing and personalized and targeted marketing and communications to large corporations and are a leading provider in this market with more than 3.7 billion documents captured, indexed and classified annually.

Global delivery expertise – Our scale and global delivery network enables us to deliver our proprietary technology, differentiated service offerings and service capabilities expertly to clients around the world. We have operations in 24 countries including India, the Philippines, Jamaica, Guatemala, Mexico, Romania, the United Kingdom and several locations within the United States, providing our customers the option for “onshore”, “nearshore” or “offshore” outsourced business process services. This global delivery model enables us to leverage lower-cost production locations, consistent methodologies and processes, time zone advantages and business continuity plans. As of December 31, 2021, 50% of our employees were located in high-cost countries and 50% were located in low-cost countries.

Differentiated suite of multi-industry service offerings at scale – We manage transaction-intensive processes and work directly with end-users to meet their needs often in real-time. We believe we are unique in our ability to offer our clients these business process services on a large scale and with high quality. Additionally, we can leverage our cross-industry services to bring the same scale and quality to our portfolio of industry-specific service offerings, such as healthcare claims management, employee benefits management and public transit fare collection.

Recurring revenue model supported by a loyal, diverse client base – We have a broad and diverse base of clients in countries across geographies and industries, including 80% of the Fortune 100, many Fortune 1,000 companies, midsize businesses and governmental entities. Our close client relationships and successful client execution support our stable recurring revenue model and high renewal rates.

Competition

Although we encounter competition in all areas of our portfolio, we are a leader in many categories. We compete based on technology, performance, quality, reliability, reputation, price, and customer service and support. We consider our "onshore", "near shore" and "offshore" delivery capabilities to be a competitive advantage. Our competitors range from large international companies to relatively small firms, and many of our competitors specialize in certain areas but none compete across all the same segments in total – for example, 73 of our top 100 commercial clients buy multiple service offerings. Our competitors include:

- Large multinational service providers such as Accenture, Cognizant, TTEC and Teleperformance;
- Traditional business process outsourcing companies such as Genpact and EXL Services;
- Human resource, payroll processing and human capital management providers such as Alight and Willis Towers Watson;
- Healthcare-focused IT and service solutions providers such as Gainwell, Optum and Maximus;
- HSA administrators such as Health Equity;
- U.S. Federal-focused government services providers such as Leidos;
- Transportation multi-nationals such as TransCore, Thales, Cubic and Verra Mobility; and
- Smaller niche business processing service providers and in-house departments that perform functions that could be outsourced.

Sales and Marketing

We market and sell our business process solutions and services to both potential and existing clients through our global sales and business development teams. Additionally, we have dedicated "solution architects" who work with clients to better understand their business requirements and to develop custom-tailored solutions to meet their unique needs. Our clients include commercial businesses of many sizes and industries as well as public sector enterprises.

Our solutions help solve clients' business issues and help them achieve their desired business outcomes. We leverage our broad portfolio of offerings and dedicated team of associates to package solutions that exactly meet clients' needs, while taking a disciplined approach to pricing and contracting. Our sales efforts typically involve extended selling cycles where our deep domain and industry expertise is critical to winning new business. We maintain strong relationships with our clients from initial engagement to implementation and on-going service delivery.

Intellectual Property

Our general policy is to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. As of December 31, 2021, we own approximately 589 patents and have 59 pending applications. Our patent portfolio evolves as new patents are awarded to us and as older patents expire. These patents expire at various dates, generally 20 years from their original filing dates. While we believe that our portfolio of patents and applications has value, in general, no single patent is essential to our business or any individual segment. In addition, any of our proprietary rights could be challenged, invalidated or circumvented, or may not provide significant competitive advantages.

Our business relies on software provided to an approximately equal extent, by both internal development and external sourcing to deliver our services. With respect to internally developed software, we claim copyright on all such software, registering works which may be accessible to third parties. In addition, we rely on maintaining source code confidentiality to assure our market competitiveness. With respect to externally sourced software, we rely on contracts assuring our continued access for our business usage.

In the United States, we own 63 registered trademarks reflecting the many businesses we participate in. These trademarks may have a perpetual life, subject to renewal every 10 years and may be subject to cancellation or invalidation based on certain use requirements and third-party challenges, or on other grounds. We vigorously enforce and protect our trademarks.

Headcount

The skills, expertise, and experience of our talented and diverse global workforce allow us to deliver mission-critical services and solutions that drive exceptional client outcomes. As of December 31, 2021, we have approximately 60,000 associates in 24 countries working towards a common vision and purpose, with 42% located in North America and the remainder located primarily in Asia Pacific, Latin America and the Caribbean, and Europe. Our three reportable segments, Commercial Industries, Government Services and Transportation, house most of our associates with approximately 42,300, 6,000 and 4,000 associates, respectively.

Conduent Diversity & Inclusion (D&I)

We draw strength from the diversity of our global workforce and we believe that creating an inclusive culture where all associates can bring their authentic selves to work creates value for all our stakeholders.

Our Employee Impact Groups (EIG) are at the heart of our efforts to develop an inclusive workplace. In 2021, we added an eighth EIG that connects associates across generational and tenure segments, while growing overall EIG membership by over 100%. Our EIGs curated over 80 hours of cultural activities to engage our associates and promote our core value of being open and inclusive. Our EIGs have membership in every region wherein we have operations. In addition, they deployed over 20 hours of professional development activities to respond specifically to the needs of our diverse workforce. In addition, we identified leaders across the business to serve on our inaugural Global Diversity and Inclusion Council (GDIC). The newly formed GDIC has been charged with working with functional business leaders to shape the deployment of the Enterprise Diversity and Inclusion Plan. We are proud to have received several global workplace diversity awards, including our first designation as a “Best Places to Work for LGBTQ+ Equality” for 2022 by the Human Rights Campaign Foundation’s Corporate Equality Index in both the United States and its equivalent in Mexico, HRC Equidad MX.

Employee Learning and Development

As a services company, we believe our associates are our most important asset, which is why we invest in associate growth and development programs. We are focused on building a workplace where our people can do their best work and have access to the learning tools and resources they need to excel in their role, stay competitive and grow their skill set. We offer our associates modern, digital world-class learning platforms that help them learn anywhere, anytime on a wide range of topics including technology, professional and business-related. We continue to invest in new, cutting-edge learning platforms to elevate their learning experience. As a result, we have been successful in building a culture of continuous learning, with employees taking charge of their learning and development. In addition to our digital platforms, employees are also provided job-specific technical training when they are onboarded and during their professional journey as required. Our learning platforms are widely utilized with about 2.5 million learning assets completed in 2021 and have great learning effectiveness scores for satisfaction, skill improvement and application of learning on the job. We also ensure that our associates complete regulatory and compliance training on topics required based on their role and geography.

Associate Engagement

We continuously seek and encourage feedback from our associates to inform our talent strategy and further strengthen our employee value proposition. In 2021, we sustained a high-level of engagement despite a challenging pandemic year, as indicated by our Associate Experience Survey. We saw a significant increase in overall engagement with our senior leaders across all survey categories, with 'clarity of direction' about our company and 'resources and support' to work effectively being amongst our highest scoring categories for all associates.

COVID-19 Pandemic (COVID)

As we continued to navigate the uncertainty of the pandemic in 2021, protecting the health and safety of our associates remained our top priority. Our COVID case management tracking and reporting enabled us to monitor the impacts of COVID on our workforce and workplace and protect business continuity. A small percentage of our essential workforce returned to onsite work with stringent safety protocols in place. We continued to demonstrate resiliency, agility and prudence, enabling many of our associates to shift between onsite and remote work depending on local conditions.

We have continued taking steps to connect our associates with resources that support their health and well-being, including hosting several mental health webinars and extending our 2020 time-off plans to give our associates more

options to take time off for COVID-related sickness/hardships. Effective and constant communication regarding the state of the pandemic, local protocols and vaccine regulations has been a key element of our efforts to create the safest possible working environments for our associates. We also instituted vaccine attestation in the majority of the global geographies where we operate enabling us to understand vulnerabilities in our workforce and workplace to minimize risks during COVID spikes. The feedback from our associates continues to be positive, especially in terms of the Company's efforts to provide a safe work environment.

Awards and Recognition

During 2021, Conduent has been honored to receive several prestigious awards related to our human capital management practices, including:

- Being named to Comparably's 2021:
 - Best Company for Working Women list;
 - Best Company for Global Culture list;
 - Best Company in New York list;
 - Best Company for Diversity list; and
 - Best CEOs for Diversity list.
- Being named to Forbes' 2021 Best Employers for Diversity list
- Being designated as a "Best Places to Work for LGBTQ+ Equality" for 2022 by the Human Rights Campaign Foundation's (HRC) Corporate Equality Index in both the United States and in Mexico (through its HRC Equidad MX program).

Corporate Ethics

We operate according to our Ethics and Compliance Program (Program), which is focused on sustaining an ethical culture and designed to meet general governance and specific industry, regulatory, and legal requirements. The Program is based on our core values, including personal accountability, and overseen by Conduent's Ethics Office.

Conduent's Code of Business Conduct (Code) is the foundation of our Program. Our Code embodies and reinforces Conduent's commitment to the highest standards of integrity and sets forth our expectations for ethical leadership, job performance, and compliance with the Code and Company policies. It is designed to help associates recognize ethics and compliance issues before they arise and to deal appropriately with issues that occur.

Conduent Finance Employees are additionally required to act in accordance with our supplemental Finance Code of Conduct. Our associates are required to complete annual business ethics training. Conduent's Ethics Office periodically solicits associate input to gauge our ethical culture and help identify areas for continuing improvements.

Our directors must act in accordance with our Code of Business Conduct and Ethics for Members of the Board; our principal executive officer, principal financial officer and principal accounting officer, among others, must act in accordance with our Finance Code of Conduct; and all of our executives and employees must act in accordance with our Code of Business Conduct. Each of these codes of conduct can be accessed through our website at www.conduent.com/corporate-governance. They are also available to any shareholder who requests them in writing addressed to Conduent Incorporated, 100 Campus Drive Suite 200, Florham Park, NJ 07932, Attention: Corporate Secretary. We will disclose any future amendments to, or waivers from, provisions of our Code of Business Conduct and Ethics for members of the Board and, our Code of Business Conduct and our Finance Code of Conduct for our officers on our website as promptly as practicable, and consistent with the requirements of applicable U.S. Securities and Exchange Commission (SEC) and NASDAQ rules.

Seasonality

Our revenues can be affected by various factors such as our clients' demand patterns for our services, which includes peak windows for benefit enrollment, new product launches by clients, and busy retail and travel seasons.

Availability of Company Information

Our internet address is www.conduent.com. In the Investor Information section of our Internet website, you will find our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our Proxy Statements and any amendments to these reports and statements. We make these documents available free of charge as soon as we can after we have filed them with, or furnished them to, the SEC. Our Corporate Social Responsibility Report can also be found in the Investor Information section of our Internet website.

The SEC maintains an internet address (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

Information about our Executive Officers

The following is a list of the executive officers of Conduent as of February 23, 2022.

Each officer is elected to hold office until the meeting of the Board of Directors held on the day of the next annual meeting of shareholders, subject to the provisions of our by-laws.

Name	Age	Present Position	Year Appointed to Present Position	Conduent Officer Since
Clifford Skelton*	66	President and Chief Executive Officer	2019	2019
Mark Brewer	57	Executive Vice President, Transportation	2020	2019
Louis Keyes	54	Executive Vice President, Chief Revenue Officer	2020	2020
Michael Krawitz	52	Executive Vice President, General Counsel and Secretary	2019	2019
Mark Prout	58	Executive Vice President, Chief Information Officer	2019	2020
Stephen Wood	55	Executive Vice President & Chief Financial Officer	2021	2020

* Member of Conduent Board of Directors

Each of the officers named above has been an officer or an executive of Conduent or its subsidiaries for less than five years. As of February 23, 2022, there are no family relationships among any of the executive officers named above and any of our directors.

Mr. Skelton was appointed Chief Operating Officer of Conduent in June 2019, Chief Executive Officer of Conduent in August 2019 and President of Conduent in May 2021. He served as President of Fiserv Output Solutions from March 2017 to June 2019. Prior to that, Mr. Skelton was the Group President and Chief Information Officer at Fiserv from April 2012 until March 2017. Mr. Skelton also held a variety of leadership roles at companies such as Ally Financial (formerly General Motors Acceptance Corporation) and Bank of America. Mr. Skelton is a former Navy fighter pilot and served in the Navy for over 20 years.

Mr. Brewer joined Conduent as Chief Operating Officer Transportation in June 2019 and was appointed Executive Vice President and Global Head of Public Sector in November 2019. He became Executive Vice President, Transportation & Head of Enterprise Accounts in October 2020, and currently serves as Executive Vice President, Transportation. Prior to joining Conduent, he served as Senior Vice President and Managing Director of Diebold Nixdorf from 2018 to 2019. Prior to that Mr. Brewer was Global Vice President for DXC's Technology, Enterprise Application and Cloud Businesses from 2016 to 2018. He also held a variety of leadership roles at IBM Corporation for over 20 years, in Europe, Asia and the Americas.

Mr. Keyes joined Conduent as Global Head of Sales in September 2019. He was appointed Executive Vice President, Chief Revenue Officer in December 2020. Prior to joining Conduent, he served as Executive Vice President, Chief Sales Officer at York Risk Services from October 2017 to September 2019. Prior to York Risk Services, he was Senior Vice President at Fiserv Inc. between 2009 and 2017 where he led Enterprise Accounts and large sales teams. Mr. Keyes has also held senior executive leadership roles at Hewlett-Packard Enterprise Services and Electronic Data Systems Corporation.

Mr. Krawitz has served as Executive Vice President, General Counsel and Secretary since November 2019. Prior to joining Conduent, from June 2015 to November 2019, Mr. Krawitz was Executive Vice President, General Counsel and Corporate Secretary of insurance services firm York Risk Services Group, a portfolio company of Onex Corp. From 2014 to 2015, he was Chief Legal Officer of Veriteq Corp., a biotech company. From 1999 to 2014, Mr. Krawitz held leadership roles in public and private companies in the technology and finance sectors. Mr. Krawitz began his career at Fried Frank and was educated at Cornell University and Harvard Law School.

Mr. Prout joined Conduent as Head of Information Technology in June of 2019. He was appointed Executive Vice President, Chief Information Officer in September 2019. Prior to joining Conduent, between 2005 and 2019, Mr. Prout served as Chief Technology Officer and held several IT leadership positions at Fiserv. Prior to Fiserv, he served as CIO of Cendian Corporation. Mr. Prout has also held various leadership positions at United Parcel Service.

Mr. Wood has served as the Chief Financial Officer of Conduent since June 2021. He served in his previous role as the Company's Corporate Controller from August 2020 until June 2021 and was designated as its Principal Accounting Officer effective December 2020. Prior to joining Conduent, Mr. Wood spent 15 years at Fiserv in finance and accounting leadership positions. From December 2016 to May 2020, Mr. Wood served as Vice President & Chief Financial Officer of Fiserv Output Solutions, from March 2009 to December 2016, Mr. Wood served as Vice President & Controller over several different operating groups and from January 2005 to March 2009, Mr. Wood led International Finance & Accounting operations. Mr. Wood is a Chartered Global Management Accountant with an MBA with distinction from Warwick Business School.

ITEM 1A. RISK FACTORS

Business and Operational Risks

Our government contracts are subject to appropriation of funds, termination rights, audits and investigations, which, if exercised, could negatively impact our reputation and reduce our ability to compete for new contracts.

A significant portion of our revenues is derived from contracts with U.S. federal, state and local governments and their agencies, and some of our revenues are derived from contracts with foreign governments and their agencies. Government entities typically finance projects through appropriated funds. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, failures to enact appropriation legislation (e.g., a government "shut-down"), government spending reductions or other debt or funding constraints, have resulted in, and in the future could result in, lower governmental sales and our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Additionally, if the government discovers what it considers to be improper or illegal activities or contractual non-compliance (including improper billing or non-compliant performance of contract requirements), we may be subject to various civil and criminal penalties and administrative sanctions, which has occurred in the past and may in the future include termination of contracts, forfeiture of profits, suspension of payments, contractual service penalties, fines and suspensions or debarment from doing business with the government. Any resulting penalties or sanctions could materially adversely affect our results of operations and financial condition. Moreover, government contracts are generally subject to audits and investigations by government agencies. If the government finds that we inappropriately charged any costs to a contract, the costs are not reimbursable or, if already reimbursed, the cost must be refunded to the government. Further, the negative publicity that could arise from any such penalties, sanctions or findings in such audits or investigations could have an adverse effect on our reputation in the industry and reduce our ability to compete for new contracts and could materially adversely affect our results of operations and financial condition.

We derive significant revenue and profit from commercial and government contracts awarded through competitive bidding processes, including renewals, which can impose substantial costs on us, and we will not achieve revenue and profit objectives if we fail to accurately and effectively bid on such projects.

Many of these contracts are extremely complex and require the investment of significant resources in order to prepare accurate bids and proposals. Competitive bidding imposes substantial costs and presents a number of risks, including: (i) the substantial cost and managerial time and effort that we spend to prepare bids and proposals for contracts that may or may not be awarded to us; (ii) the need to estimate accurately the resources and costs that will be required to implement and service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design; (iii) the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding and the risk that such protests or challenges could result in the requirement to resubmit bids and in the termination, reduction or modification of the awarded contracts; and (iv) the opportunity cost of not bidding on and winning other contracts we might otherwise pursue. If our competitors protest or challenge an award made to us on a government contract, the costs to defend such an award may be significant and could involve subsequent litigation that could take years to resolve.

Our ability to recover capital and other investments in connection with our contracts is subject to risk.

To attract and retain large outsourcing contracts, we sometimes make significant capital and other investments to enable us to perform our services under those contracts, such as purchases of information technology equipment, facility costs, labor resources and costs incurred to develop and implement software. The net book value of certain assets recorded, including a portion of our intangible assets, could be impaired, and our results of operations and financial condition could be materially adversely affected in the event of the early termination of all or a part of such a contract or a reduction in volumes and services thereunder for reasons such as a customer's or client's merger or acquisition, divestiture of assets or businesses, business failure or deterioration or a customer's or client's exercise of contract termination rights.

We rely to a significant extent on third-party providers, such as subcontractors, a relatively small number of primary software vendors, utility providers and network providers; if they cannot deliver or perform as expected or if our relationships with them are terminated or otherwise change, our results of operations and financial condition could be materially adversely affected.

Our ability to service our customers and clients and deliver and implement solutions depends to a large extent on third-party providers such as subcontractors, a relatively small number of primary software vendors, software application developers, utility providers and network providers meeting their obligations to us and our expectations in a timely, quality manner. Our results of operations and financial condition have been and in the future may be materially adversely affected and we might incur significant additional liabilities if any of our third-party providers (i) do not meet their service level obligations, (ii) do not meet our or our clients' expectations, (iii) terminate or refuse to renew their relationships with us, or (iv) offer their products to us with less advantageous prices and other terms than previously offered.

Failure to deliver on our contractual obligations properly and on time could materially adversely affect our results of operations and financial condition.

Our business model depends in large part on our ability to retain existing and attract new work from our base of existing clients, as well as on relationships we develop with our clients so that we can understand our clients' needs and deliver solutions and services that are tailored to meet those needs. For our business to grow, we must successfully manage the provision of services under our contracts. If a client is not satisfied with the quality of work performed by us or a subcontractor, or with the type of services or solutions delivered, or if we or our subcontractors fail to perform in accordance with contract requirements, then we could incur additional costs to address the situation, the profitability of that work might be impaired and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client or obtain new work from other potential clients. Many of our contracts with non-government clients may be terminated by the client, without cause, upon specified advance notice. Accordingly, clients who are not satisfied might seek to terminate existing contracts prior to their scheduled expiration date, which may result in our inability to fully recover our up-front investments. In addition, clients could direct future business to our competitors. We could also trigger contractual credits to clients or a contractual default. Failure to properly transition new clients to our systems, properly budget transition costs or accurately estimate contract operational costs could result in delays in our contract performance, trigger service level penalties, impair fixed or intangible assets or result in contract profit margins that do not meet our expectations or our historical profit margins.

In addition, we incur significant expenditures for the development and construction of system software platforms needed to support our clients' needs. Our failure to fully understand client requirements or implement the appropriate operating systems or databases or solutions which enable the use of other supporting software may delay the project and result in cost overruns or potential impairment of the related software platforms, which could materially adversely affect our results of operations and financial condition.

Our business is dependent on continued interest in outsourcing.

Our business and growth depend in large part on continued interest in outsourced business process services. Outsourcing means that an entity contracts with a third-party, such as us, to provide business process services rather than perform such services in-house. There can be no assurance that this interest will continue, as organizations may elect to perform such services themselves and/or the business process outsourcing industry could move to an as-a-service model, thereby eliminating traditional business process outsourcing tasks. A significant change in this interest in outsourcing could materially adversely affect our results of operations and financial condition. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

Our business may be adversely affected by geopolitical events, natural disasters and other factors that could directly impact certain of our employees, customers and vendors in countries or regions effected by such events and factors.

We have a global workforce and global customers. Our employees and customers in a particular country or region in the world may be impacted as a result of a variety of diversions, including: geopolitical events, such as war, the threat of war, or terrorist activity; natural disasters or the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise); power shortages or outages, major public health issues,

including pandemics (such as the coronavirus); and significant local, national or global events capturing the attention of a large part of the population. If any of these, or any other factors, disrupt a country or region where we have a significant workforce (such as the U.S., India or the Philippines) or customers (such as the U.S. or Europe), or vendors, our business could be materially adversely affected.

We may be subject to claims of infringement of third-party intellectual property rights which could adversely affect our results of operation and financial condition.

We rely heavily on the use of intellectual property. We do not own all of the software that we use to run our business; instead we license this software from a small number of primary vendors. If these vendors assert claims that we or our clients are infringing on their software or related intellectual property, we could incur substantial costs to defend these claims, which could materially adversely affect our results of operations and financial condition. In addition, if any of our vendors' infringement claims are ultimately successful, our vendors could require us to (i) cease selling or using products or services that incorporate the challenged software or technology, (ii) obtain a license or additional licenses from our vendors or (iii) redesign our services which rely on the challenged software or technology. In addition, we may be exposed to claims for monetary damages. If we are unsuccessful in defending an infringement claim and our vendors require us to initiate any of the above actions, or we are required to pay monetary damages, then such actions could materially adversely affect our results of operations and financial condition.

If we underestimate the scope of work or the costs entailed in performing our contracts, or if we do not fully perform our contracts, our results of operations and financial condition could be materially adversely affected.

To stay competitive in our industry, we must keep pace with changing technologies and customer preferences. Many of our contracts require us to design, develop and implement new technological and operating systems for our customers. Many of these systems involve detailed and complex computer source code which must be created and integrated into a working system that meets contract specifications. The accounting for these contracts requires judgment relative to assessing risks, estimating contract revenues and costs and making assumptions for schedule and technical issues. To varying degrees, each contract type involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of our work could result, and in some instances has resulted, in reduced profits or in losses. In addition, many of our contracts contain complicated performance obligations, including, without limitation, designing and building new integrated computer systems. These contracts carry potential financial penalties or could result in financial damages or exposures if we fail to properly perform those obligations and have in the past resulted in and in the future could result in our results of operations and financial condition being materially adversely affected.

The loss of key senior management or the failure to attract and retain necessary technical personnel and qualified subcontractors could materially adversely affect our results of operations and financial condition.

Our success depends, in part, upon key managerial and technical personnel, including our ability to attract and retain additional qualified personnel, as well as qualified subcontractors. The loss of certain key personnel, such as our Chief Executive Officer (CEO), could materially adversely affect our results of operations and financial condition. There is no assurance that we can retain our key managerial personnel, or that we can attract similar employees, in the future.

In addition, because we operate in intensely competitive markets, our success depends to a significant extent upon our ability to attract, retain and motivate highly skilled and qualified technical personnel and to subcontract with qualified, competent subcontractors. If we fail to attract, train and retain sufficient numbers of qualified engineers, technical staff and sales and marketing representatives, or if we are unable to contract with qualified, competent subcontractors, our results of operations and financial condition could be materially adversely affected. Experienced and capable personnel in the services industry remain in high demand, and there is continual competition for their talents. Our ability to renegotiate certain of our legacy third-party contracts which we view as unfavorable, or to improve the service levels we expect from these contracts and third-party providers, is key to our ability to timely, efficiently and profitably deliver our services to our customers. Additionally, we have increased and expect to continue to increase our hiring in geographic areas outside of the United States, which could subject us to increased geopolitical and exchange rate risk. The loss of any key technical employee, the loss of a key subcontractor

relationship or our inability to renegotiate or obtain required service levels from legacy and other third-party providers, could materially adversely affect our results of operations and financial condition.

If we fail to successfully develop new service offerings, including new technology components, and protect our intellectual property rights, we may be unable to retain current customers and gain new customers and our revenues would decline.

The process of developing new service offerings, including new technology components, is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. For example, establishing internal automation processes to help us develop new service offerings will require significant up-front costs and resources, which, if not monetized effectively, could materially adversely affect our revenues. In addition, some of our service offerings rely on technologies developed by and licensed from third-parties. We may not be able to obtain or continue to obtain licenses and technologies from these third-parties at all or on reasonable terms, or such third-parties may demand cross-licenses to our intellectual property. It is also possible that our intellectual property rights could be challenged, invalidated or circumvented, allowing others to use our intellectual property to our competitive detriment. We also must ensure that all of our service offerings comply with both existing and newly enacted regulatory requirements in the countries in which they are sold. If we fail to accurately anticipate and meet our customers' needs through the development of new service offerings (including technology components) or if we fail to adequately protect our intellectual property rights or if our new service offerings are not widely accepted or if our current or future service offerings fail to meet applicable worldwide regulatory requirements, we could lose market share and customers to our competitors and that could materially adversely affect our results of operations and financial condition.

The Company's business, operating results and reputation may be negatively impacted by failures or delays in our efforts to modernize our information technology infrastructure and to consolidate to fewer data centers.

We have experienced certain disruptions in our operations and service delivery performance issues because of some of our information technology infrastructure that is outdated and that needs to be enhanced and updated, which disruptions have adversely impacted client and delivery performance. As a result, we are investing in modernizing a significant portion of our information technology infrastructure with new systems and processes and consolidating our data centers. This also includes investments in our data centers and networks, enhancement, modernization and consolidation of our IT infrastructure and customer-facing technologies, enhanced cybersecurity and movement to cloud-based technology. We expect that these changes will provide greater strategic and operational flexibility and efficiency and better control of our systems and processes. There is a risk, however, that our modernization efforts and data center consolidations could materially and adversely disrupt our operations and our service delivery to customers, could result in contractual penalties or damage claims from customers, could occur over a period longer than planned, and could require greater than expected investment and other internal and external resources. It may also take longer to realize the intended favorable benefits from an enhanced technology infrastructure than we expected, or that disruptions may continue to occur while we enhance this infrastructure.

The process of consolidating our data center involves inherent risks and may cause disruptions to our operations. In October 2018, we suffered a significant outage because of a data center migration, which resulted in unplanned system unavailability and disruption for our customers. We plan to undertake several data center migrations in the future and, during these data migrations, could potentially experience significant service outages. Future service disruptions could hinder our ability to attract new customers, cause us to incur legal liability, contractual penalties or issue service credits to our customers and cause us to lose current customers, each of which could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations and financial condition may be materially adversely affected by conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes.

A portion of our revenues is generated from operations outside the United States. In addition, we maintain significant operations outside the United States. Our results of operations and financial condition could be materially adversely affected by changes in foreign currency exchange rates, as well as by several of other factors, including,

without limitation, changes in economic conditions from country to country, changes in a country's political conditions, trade controls and protection measures, financial sanctions, licensing requirements, local tax issues, capitalization and other related legal matters. The withdrawal of the United Kingdom from the European Union, and the resulting impact on cross-border transactions and operations between the United Kingdom and the European Union member states, could materially and adversely affect our operations and financial condition. We generally hedge foreign currency denominated assets, liabilities and anticipated transactions primarily through the use of currency derivative contracts. The use of derivative contracts is intended to mitigate or reduce transactional level volatility in the results of foreign operations but does not eliminate volatility. We do not hedge the translation effect of international revenues and expenses, which are denominated in currencies other than our U.S. parent functional currency, within our Consolidated Financial Statements. If we are unable to effectively hedge these risks, our results of operations and financial condition could be materially adversely affected.

Legal, Compliance and Data Security Risks

We are subject to laws of the United States and foreign jurisdictions relating to individually identifiable information and personal health information, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and negatively impact our operations.

We receive, process, transmit and store information relating to identifiable individuals, both in our role as a service provider and as an employer. As a result, we are subject to numerous laws and regulations in the United States (both federal and state) and foreign laws and regulations designed to protect both individually identifiable information and personal health information, including the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA), and the regulations promulgated under HIPAA governing, among other things, the privacy, security and electronic transmission of individually identifiable health information, and the European Union General Data Protection Regulation (GDPR) (effective May 25, 2018), which imposes stringent data protection requirements and significant penalties for non-compliance and has had a significant impact on how we process and handle certain data.

Additional laws of the United States and foreign jurisdictions apply to our processing of individually identifiable information. These laws have been subject to frequent changes, and new legislation in this area may be enacted at any time. For example, the GDPR and the invalidation of the U.S.-EU Safe Harbor regime have required us to implement alternative mechanisms for some of our data flows from Europe to the United States to comply with applicable law. Changes to existing laws, the introduction of new laws in this area or our failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices, liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to obtain and process information and allegations by our customers and clients that we have not performed our contractual obligations, any of which could materially adversely affect our results of operations and financial condition.

We are subject to laws of the United States and foreign jurisdictions relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions, and failure to comply with those laws, whether or not inadvertent, could subject us to legal actions and materially adversely affect our results of operations and financial condition.

We process, support and execute financial transactions, and disburse funds, on behalf of both government and commercial customers, often in partnership with financial institutions. This activity includes receiving debit and credit card information, processing payments for and due to our customers and disbursing funds on payment or debit cards to payees of our customers. As a result, we are subject to numerous laws and regulations in the United States (both federal and state) and in foreign jurisdictions, including the Electronic Fund Transfer Act, as amended, the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (including the so-called Durbin Amendment), as amended, the Gramm-Leach-Bliley Act (also known as the Financial Modernization Act of 1999), as amended, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT ACT), as amended. Other United States (both federal and state) and foreign jurisdiction laws apply to our processing of certain financial transactions and related support services. These laws are subject to frequent changes, and new statutes and regulations in this area may be enacted at any time. Changes to existing laws, the introduction of new laws in this area or our failure to comply with existing laws that are applicable to us may subject us to, among other things, additional costs or changes to our business practices,

liability for monetary damages, fines and civil and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process and support financial transactions and allegations by our customers, partners and clients that we have not performed our contractual obligations. Any of these could materially adversely affect our results of operations and financial condition.

Our data systems, information systems and network infrastructure may be subject to hacking or other cybersecurity threats and other service interruptions, which could expose us to liability, impair our reputation or temporarily render us unable to fulfill our service obligations under our contracts.

We are a leading provider of business processing services concentrated in transaction-intensive processing, analytics and automation. We act as a trusted business partner in both front office and back-office platforms, providing interactions on a substantial scale with our customers and other third-parties. Our customers include global commercial clients and government clients who depend upon our operational efficiency, non-interruption of service, and accuracy and security of information. We also use third-party providers such as subcontractors, software vendors, utility providers and network providers, upon whom we rely for our business processing services, to deliver uninterrupted, secure service. As part of our business processing services, we also develop system software platforms necessary to support our customers' needs, with significant ongoing investment in developing and operating customer-appropriate operating systems, data bases and system software solutions. We also receive, process, transmit and store substantial volumes of information relating to identifiable individuals, both in our role as a service provider and as an employer, and we are subject to numerous laws, rules and regulations in the United States (both federal and state) and foreign jurisdictions designed to protect both individually identifiable information as well as personal health information. We also receive, process and implement financial transactions, and disburse funds, on behalf of both commercial and government customers, which activity includes receiving debit and credit card information to process payments due to our customers as well as disbursing funds to payees of our customers. As a result of these and other business processing services, the integrity, security, accuracy and non-interruption of our systems and information technology and that of our third-party providers and our interfaces with our customers are extremely important to our business, operating results, growth, prospects and reputation.

We have implemented security systems and controls, both directly and with third-party subcontractors and service providers, with the intent of maintaining both the physical security of our facilities and the data security of our customers', clients' and suppliers' confidential information and information related to identifiable individuals (including payment card and debit and credit card information and health information) against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information. Despite such efforts, we are susceptible to breach of security systems which may result in unauthorized access to our facilities and those of our customers and/or the information we and our customers are trying to protect. Cybersecurity failure might be caused by computer hacking, malware, computer viruses, worms and other destructive software, "cyber-attacks" and other malicious activity, as well as natural disasters, power outages, terrorist attacks and similar events. Operational or business delays may also result from the disruption of network or information systems and subsequent remediation activities.

Because the techniques used to obtain unauthorized access are constantly changing and becoming increasingly more sophisticated and often are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or implement sufficient preventative measures. Hacking, malware, phishing, viruses and other "cyber-attacks" have become more prevalent, have occurred in our systems in the past, and may occur in our systems in the future. Although we have implemented and intend to continue to implement what we believe to be appropriate cyber practices and cybersecurity systems, these systems may prove to be inadequate and result in the disruption, failure, misappropriation or corruption of our network and information systems. Notwithstanding the preventative and protective measures we have in place, it may not be possible for us to fully or timely know if or when such incidents arise, or the full business impact of any cybersecurity breach.

Additionally, with advances in computer capabilities and data protection requirements to address ongoing threats, we may be required to expend significant capital and other resources to protect against potential security breaches or to alleviate problems caused by security breaches. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a defeat of our or our third-party service providers' security measures and a breach of our or our third-party service providers' information systems (whether digital, cloud-based or otherwise).

If unauthorized parties gain physical access to one of our or one of our third-party service providers' facilities or gain electronic access to our or one of our third-party service providers' information systems, such access could result in, among other things, unfavorable publicity and significant damage to our brand, governmental inquiry, oversight and possible regulatory action, difficulty in marketing our services, loss of existing and potential customers, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for substantial damages related to the theft or misuse of such information, any of which could materially adversely affect our results of operations and financial condition. Similar consequences may arise if sensitive or confidential information is misdirected, lost or stolen during transmission or transport, or is stolen or misused. Moreover, a security breach could require us to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures that we employ to guard such personal information against "cyber-attacks" and to maintain various systems and data centers for our customers. Often these systems and data centers must be maintained worldwide and on a 24/7 basis. Although we endeavor to ensure that there is adequate backup and maintenance of these systems and centers, we have in the past experienced and in the future could experience service interruptions that could result in curtailed operations and loss of existing and potential customers, which could significantly reduce our revenues and profits in addition to significantly impairing our reputation. If our information systems and our back-up systems are damaged, breached or cease to function properly, we may have to make a significant investment to repair or replace them, and we may suffer interruptions in our operations in the interim, each of which could materially adversely affect our results of operations and financial condition.

In addition, our and our customers' systems and networks are subject to continued threats of terrorism, which could disrupt our operations as well as disrupt the utilities and telecommunications infrastructure on which our business depends. To the extent any such disruptions were to occur, our business, operating results and financial condition could be materially adversely affected.

If we fail to meet industry data security standards, our ability to meet contractual obligations may be impaired and result in contractual damage or contract breach claims.

In some of our services lines, we are contractually subject to industry data security standards. These industry data security standards include Card Brand (Visa, Mastercard, American Express, Discover and JCB) operating rules, certification requirements and rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard (PCI DSS), a data security standard applicable to companies that collect, store or transmit payment card data. Another industry standard is the Health Information Trust Alliance (HITRUST) which applies to aspects of the healthcare industry in addition to other industries. While we are taking steps to achieve future compliance and/or certification for our systems, and in the future we may not be able to maintain compliance with PCI DSS, HITRUST and other applicable industry standards. We are taking steps to achieve compliance and/or certification for our systems, but we cannot assure that these efforts will be successful in the time required or at all. Any failure to comply fully or materially with PCI DSS, HITRUST and other applicable industry standards now or at any point in the future may provide customers the right to terminate contracts with us or to enforce provisions obligating us to reimburse them for any penalties or costs incurred by them as a result of our non-compliance, or subject us to other fines, penalties, damages or civil liability, each of which could have a material adverse effect on our business, financial condition and results of operations. In addition, failure to meet PCI DSS standards could result in the loss of our ability to accept credit card payments and the failure to meet HITRUST standards could impact our ability to service customers in the healthcare and other industries, both of which could have a material adverse impact on our business, results of operations and financial condition.

Our results of operations and financial condition could be materially adversely affected by legal and regulatory matters.

We are potentially subject to various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities laws; governmental and non-governmental entity contracting, servicing and governmental entity procurement laws; intellectual property laws; environmental laws; employment laws; the Employee Retirement Income Security Act of 1974 (ERISA); and other laws, regulations and contractual undertakings, as discussed under Note 16 – Contingencies and Litigation to our Consolidated Financial Statements. If developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual or materially increase an existing accrual, or if any of these matters result in an adverse judgment or are settled for significant amounts above any existing accruals, it could materially adversely affect our results of

operations and financial condition in the period or periods in which such change in determination, judgment or settlement occurs. There can be no assurances as to the favorable outcome of any claim, lawsuit, investigation or proceeding. It is possible that a resolution of one or more such proceedings, through judgment, settlement or otherwise, could require us to make substantial payments to satisfy judgments, fines or penalties or settlement amounts, any of which could materially adversely affect our results of operations and financial condition. Additionally, the terms of dismissal, settlement, release or other resolution may permit certain claims to be reopened under certain conditions. Claims, lawsuits investigations and proceedings involving the Company could also result in reputational harm, criminal sanctions, consent decrees or orders preventing us from offering certain services, requiring a change in our business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies. In addition, it can be very costly to defend litigation and these costs could materially adversely affect our results of operations and financial condition. Refer to Note 16 – Contingencies and Litigation to our Consolidated Financial Statements.

Financial Risks

We have recorded significant goodwill impairment charges and may be required to record additional charges to future earnings if our goodwill or intangible assets become impaired.

We are required under generally accepted accounting principles to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets and/or goodwill may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or our own operations, and/or other materially adverse events that have implications on the profitability of our business or business segments. We may be required to record additional charges to earnings during the period in which any impairment of our goodwill or other intangible assets is determined which could adversely impact our results of operations. As of December 31, 2021, our goodwill balance was \$1.3 billion, which represented 33.2% of total consolidated assets. Refer to Note 8 – Goodwill and Intangible Assets, Net to our Consolidated Financial Statements for additional information about our 2019 goodwill impairment.

Our significant indebtedness could materially adversely affect our results of operations and financial condition.

We have and will continue to have a significant amount of debt and other obligations. Our substantial debt and other obligations could have important consequences.

For example, it could (i) increase our vulnerability to general adverse economic and industry conditions; (ii) limit our ability to obtain additional financing for future working capital, capital expenditures, acquisitions and other general corporate requirements; (iii) require us to dedicate a substantial portion of our cash flows from operations to service debt and other obligations thereby reducing the availability of our cash flows from operations for other purposes; (iv) limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; (v) place us at a competitive disadvantage compared to our competitors that have less debt; and (vi) become due and payable upon a change in control. If new debt is added to our current debt levels, these related risks could increase.

Our ability to make payments on and to refinance our indebtedness, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

The terms of our indebtedness may restrict our current and future operations, particularly our ability to incur debt that we may need to fund initiatives in response to changes in our business, the industries in which we operate, the economy and governmental regulations.

The terms of our indebtedness include several restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests. These may restrict our and our subsidiaries' ability to take some or all of the following actions:

- incur or guarantee additional indebtedness or sell disqualified or preferred stock;
- pay dividends on, make distributions in respect of, repurchase or redeem capital stock;
- make investments or acquisitions;
- sell, transfer or otherwise dispose of certain assets;
- create liens;
- enter into sale/leaseback transactions;
- enter into agreements restricting the ability to pay dividends or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our or our subsidiaries' assets;
- enter into transactions with affiliates;
- prepay, repurchase or redeem certain kinds of indebtedness;
- issue or sell stock of our subsidiaries; and/or
- significantly change the nature of our business.

As a result of all of these restrictions, we may be:

- limited in how we conduct our business and pursue our strategy;
- unable to raise additional debt financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

A breach of any of the restrictive covenants, if applicable, could result in an event of default under the terms of this indebtedness. If an event of default occurs, the lenders would have the right to accelerate the repayment of such debt and the event of default or acceleration may result in the acceleration of the repayment of any other of our debt to which a cross-default or cross-acceleration provision applies. Furthermore, under this indebtedness we have pledged our assets as collateral as security for our repayment obligations. If we were unable to repay any amount of this indebtedness when due and payable, the lenders could proceed against the collateral that secures this indebtedness. In the event our creditors accelerate the repayment of our borrowings, we may not have sufficient assets to repay such indebtedness, which could materially adversely affect our results of operations and financial condition.

In addition, our credit facility bears interest at a rate that varies depending on LIBOR. On July 27, 2017, the UK's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. The announcement indicates that LIBOR will not continue to exist on the current basis. More recently, on March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative. Specifically, this occurred immediately after December 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and will occur immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. Our borrowings are based on these remaining U.S. dollar settings. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, announced a recommendation to replace U.S. dollar LIBOR with a new index calculated based on overnight transactions under short-term repurchase agreements, backed by U.S. Treasury securities called the Secured Overnight Financing Rate (SOFR). However, there is currently no definitive successor reference rate to LIBOR and various industry organizations are still working to develop workable transition mechanisms and whether SOFR attains market traction as a LIBOR replacement tool remains in question at this time. LIBOR related changes may negatively impact costs of borrowings under our credit facilities, which could have an adverse effect on our results of operations.

Our profitability is dependent upon our ability to obtain adequate pricing for our services and to improve our cost structure.

Our success depends on our ability to obtain adequate pricing for our services that will provide a reasonable return to our shareholders. Depending on competitive market factors, future prices we obtain for our services may decline from previous levels. If we are unable to obtain adequate pricing for our services, it could materially adversely affect our results of operations and financial condition. In addition, our contracts are increasingly requiring tighter timelines for implementation as well as more stringent service level metrics. This makes the bidding process for new contracts much more difficult and requires us to adequately consider these requirements in the pricing of our services.

To meet the service requirements of our customers, which often includes 24/7 service, and to optimize our employee cost base, including our back-office support, we often locate our delivery service and back-office support

centers in lower-cost locations, including several developing countries. Concentrating our centers in these locations presents several operational risks, many of which are beyond our control, including the risks of political instability, natural disasters, safety and security risks, labor disruptions, excessive employee turnover and rising labor rates. Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of such centers outside of the United States could materially adversely affect our results of operations and financial condition. These risks could impair our ability to effectively provide services to our customers and keep our costs aligned to our associated revenues and market requirements.

Our ability to sustain and improve profit margins is dependent on a number of factors, including our ability to continue to improve the cost efficiency of our operations through such programs as RPA, to absorb the level of pricing pressures on our services through cost improvements, our ability to hire and retain employees in the current global labor markets and to successfully complete information technology initiatives. If any of these factors adversely materialize or if we are unable to achieve and maintain productivity improvements through restructuring actions or information technology initiatives, our ability to offset labor cost inflation and competitive price pressures would be impaired, each of which could materially adversely affect our results of operations and financial condition.

If we are unable to collect our receivables for billed or unbilled services, our results of operations and financial condition could be materially adversely affected.

The profitability of certain of our large contracts depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. Actual losses on client balances could differ from current estimates and, as a result, may require adjustment of our receivables for unbilled services. Our receivables include long-term contracts. Over the course of a long-term contract, our customers' financial condition may change such that their ability to pay their obligations, and our ability to collect our fees for services rendered, is adversely affected. Additionally, we may perform work for the federal, state and local governments, with respect to which we must file requests for equitable adjustment or claims with the proper agency to seek recovery in whole or in part, for out-of-scope work directed or caused by the government customer in support of its project, and the amounts of such recoveries may not meet our expectations or cover our costs. Timely collection of client balances also depends on our ability to complete our contractual commitments (such as our ability to achieve specified milestones in percentage-of-completion contracts) and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and financial condition could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our results of operations and financial condition could be materially adversely affected.

A decline in revenues from or a loss or failure of significant clients could materially adversely affect our results of operations and financial condition.

Our results of operations and financial condition could be materially adversely affected by the loss or failure of significant clients or any significant reduction in revenue volumes from our significant clients, which has occurred in the past and could occur in the future. Some of our clients are in business sectors which have experienced significant financial difficulties or consolidation, and/or the reduction of volumes or their inability to make payments to us, as a result of, among other things, their merger or acquisition, divestiture of assets or businesses, contract expiration, nonrenewal or early termination (including termination for convenience) or business or financial failure or deterioration. Economic and political conditions could affect our clients' businesses and the markets they serve. Competition from other service providers and bringing these services in-house could also be expected to adversely impact our revenues.

We have non-recurring revenue, which subjects us to a risk that our revenues and cash flows from operations may fluctuate from period to period.

Revenue generated from our non-recurring services may fluctuate due to factors both within and outside of our control. Our mix of non-recurring and recurring revenues is impacted by acquisitions as well as growth in our non-recurring lines of business, as well as our strategic decisions to exit or reduce our services in particular service areas. There is less predictability and certainty in the timing and amount of revenues generated by our non-recurring services and, accordingly, our results of operations and financial condition could be materially adversely affected by the timing and amount of revenues generated from our non-recurring services

The failure to obtain or maintain a satisfactory credit rating could adversely affect our liquidity, capital position, borrowing costs, access to capital markets and ability to post surety or performance bonds to support clients' contracts.

Any future downgrades to our credit rating could negatively impact our ability to renew contracts with our existing clients, limit our ability to compete for new clients, result in increased premiums for surety or performance bonds to support our clients' contracts and/or result in a requirement that we provide collateral to secure our surety or performance bonds. Further, certain of our commercial outsourcing contracts provide that, in the event our credit ratings are downgraded to specified levels, the client may elect to terminate its contract with us and either pay a reduced termination fee or, in some limited instances, no termination fee. Such a credit rating downgrade could adversely affect these client relationships.

There can be no assurance that we will be able to maintain our credit ratings. Any additional actual or anticipated downgrades of our credit ratings, including any announcement that our ratings are under review for a downgrade, may have a negative impact on our liquidity, capital position and access to capital markets.

Increases in the cost of telephone and data services or significant interruptions in such services could materially adversely affect our results of operations and financial condition.

Our business is significantly dependent on telephone and data services provided by various local and long distance telephone and data service providers around the world. Accordingly, any disruption of these services could materially adversely affect our results of operations and financial condition. We have taken steps to mitigate our exposure to service disruptions by investing in redundant circuits, although there is no assurance that the redundant circuits would not also suffer disruption. Any inability to obtain telephone or data services at favorable rates could materially adversely affect our results of operations and financial condition. Where possible, we have entered into long-term contracts with various providers to mitigate short-term rate increases and fluctuations. There is no obligation, however, for the vendors to renew their contracts with us, or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control. A significant increase in the cost of telephone or data services that is not recoverable through an increase in the price of our services could materially adversely affect our results of operations and financial condition. In addition, a number of our facilities are located in jurisdictions outside of the United States where the provision of utility services, including electricity and water, may not be consistently reliable, and while there are backup systems in many of our operating facilities, an extended outage of utility or network services could materially adversely affect our results of operations and financial condition.

We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries.

Our principal assets are the shares of capital stock and indebtedness of our subsidiaries. We rely on dividends, interest and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, paying corporate expenses and, if determined by our Board, paying dividends to shareholders and repurchasing common shares. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that these subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions or other circumstances that could restrict the ability of our subsidiaries to pay dividends to us. In addition, due to differences in tax rates, repatriation of funds from certain countries into the United States could have unfavorable tax ramifications for us.

COVID-19 Pandemic Related Risks

Our business has been and will continue to be negatively impacted by the ongoing coronavirus pandemic.

Beginning in late 2019, the outbreak of a novel strain of virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease 2019, or COVID-19, has evolved into a global pandemic and has spread to most regions of the world.

As a result of the COVID-19 pandemic, we have experienced and can be expected to continue to experience disruptions to our business, our operations, the delivery of our services and customer demand for our services and business offerings, including:

- Social distancing, shelter-in-place and stay-at-home requirements and guidance of national, regional, state and local governments have required that substantial services being performed by us for our customers be shifted to work-from-home alternatives, which have created added burdens, risks and costs, including but not limited to: the added cost and uncertainty created by a significant change in our delivery model; delays and disruptions resulting from organizing and implementing work-from-home solutions, particularly in our lower cost geographies, such as India and the Philippines, which have not in the past generally permitted or accommodated work-from-home alternatives; customer protocols not allowing, without express customer waiver or permission, work-from-home alternatives, due to sensitivity of customer data, inclusion of personally identifiable information, cybersecurity and data security concerns, and other factors; delays and disruptions in providing customer services which may adversely affect our reputation and may in the future result in failure to satisfy customer contract requirements and other noncompliance issues; challenges in and cost of equipping work-from-home solutions with appropriate technology equipment and software, with suitable security protections; potential for increased cybersecurity and other data security issues; compliance with legal, regulatory, industry and customer standards and specifications; and increased logistical issues resulting from unexpected shift in service delivery model. As a result of these and other factors related to work-from-home solutions, we have experienced and can be expected to continue to experience delays and disruptions and an adverse impact on our business, operations, costs, satisfaction of customer requirements and operating results and financial condition.
- The COVID-19 pandemic has impacted and may be expected to continue to adversely impact customer demand for our services and business offerings. Many of our customers have experienced and will continue to experience substantial disruption in their own operations. In addition, many of our governmental and non-governmental customers have been allocating resources and management attention away from the ordinary conduct of their business and toward responding to COVID-19 related emergent events. Our sales and marketing personnel are also largely required to perform their services via virtual or other telecommunication alternatives, rather than in-person interactions. The COVID-19 pandemic has also resulted in greater customer uncertainty in their short-term and longer-term needs. In addition, under certain contracts we earn revenues based on the number of transactions processed, such as, for example, certain transportation and credit card processing arrangements where the number of transactions has decreased due to the COVID-19 pandemic. These and other pandemic-related factors have and will continue to adversely impact revenues, sales, new business opportunities, pricing and our sales pipeline.
- Further, our management has been focused on mitigating the impact of the COVID-19 pandemic, which has required and will continue to require a substantial investment of time and resources across our enterprise. This has resulted and can be expected to continue to result in a diversion of management attention, resources and previously planned investments away from strategic, operational and technological initiatives which had been intended to improve customer demand, new business opportunities, business retention, service delivery, potential divestitures or acquisitions, and the overall profitability of our business and we cannot predict how long this may continue.
- Our government contracts are often subject to a government entity's right to change the scope of work or to terminate their project for funding reasons or at their convenience. Due to the COVID-19 pandemic and its current and future impact on governments, budgets and resources, we may experience government contracts' reductions or terminations.
- We are a leading provider of business processing services concentrated on transaction-intensive processing including financial transactions. If we fail to satisfy a customer's requirements or specifications, we could incur additional costs to address such dissatisfaction or on account of such deficiency as well as receive notice of termination. The COVID-19 pandemic has had and can be expected to continue to have an impact on compliance and non-interruption of service under certain customer contractual requirements, and certain customer relationships can be expected to be adversely impacted, in addition to our incurring added costs in response to any deficiency.

- The COVID-19 pandemic may have had and may continue to have an adverse impact on the operations, financial results and finances of many of our customers, which could impact customer payment cycles and payments due from customers.
- We rely on third parties to provide technology, other services and products we need to operate our business. Delays or interruption in the operations of third parties on which we rely may result in disruptions in our own operations and fulfillment of our customers' requirements.
- The economic downturn could also result in the carrying value of our goodwill or other intangible assets exceeding their fair value, which could require us to recognize further asset impairment.
- We also cannot predict the impact of remote working arrangements on our internal systems and normal administrative services.
- To the extent we draw under our credit facility, our debt would increase. Such increase in our level of debt could adversely affect our financial results or ability to incur additional debt and could negatively impact our credit ratings. In addition, because of the risks described above, we may be required to raise additional debt or equity financing, and our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects, our credit ratings, and the outlook for our industry as a whole. If, as a result of COVID-19, credit agencies downgrade our credit ratings, or general market conditions were to ascribe higher risk to our credit rating levels, our access to capital and cost of debt financing may be negatively impacted and certain of our existing commercial agreements may require us to post collateral; the continuing impact of the COVID-19 pandemic could also negatively impact our compliance with our financial covenants under our credit facilities. In addition, the terms of future debt agreements could include more restrictive covenants.
- The trading prices for our common shares and the securities of other companies in our industry have been highly volatile because of the COVID-19 pandemic and a recession, depression or other sustained adverse market event resulting from the COVID-19 pandemic could materially and adversely affect the financial markets, the value of our common shares and our ability to obtain equity or debt financing on favorable or acceptable terms.

The COVID-19 pandemic continues to rapidly evolve, and additional material impacts and disruptions are likely to occur. These and other factors, which may worsen, can be expected to have a material adverse impact on our business, operations, financial results and capital resources. The ultimate impact of the COVID-19 pandemic on us is highly uncertain and subject to change and will depend on future developments, which cannot be accurately predicted, including: the duration of the pandemic; the impact of COVID-19 on countries in which our employees are based, including India, which has recently suffered a severe outbreak; continued emergence of new strains of COVID-19, such as the Delta and Omicron variants; the availability of an effective vaccine and the speed with which it is administered to the public; additional or modified government actions; new information that will emerge concerning the severity and impact of COVID-19; and the actions taken to contain COVID-19 or address its impact in the short and long-term, among others. Furthermore, additional waves of COVID-19 infections or the spread of additional variants (as well as the outbreak of other infectious diseases in the future), such as the Delta and Omicron variants, could have the same or more serious adverse effects on our business. The impact of COVID-19 has also exacerbated and may continue to exacerbate other risks discussed herein, any of which could have a material effect on us. We do not yet know and cannot predict the full extent of potential impacts on our business, our services and business offerings or our operating results and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We lease and own numerous facilities worldwide with larger concentrations of space in Kentucky, New Jersey, California, Mexico, Guatemala, India, the Philippines, Jamaica and Romania. Our owned and leased facilities house general offices, sales offices, service locations, call centers and distribution centers. The size of our property portfolio as of December 31, 2021 was approximately 5.6 million square feet at an annual operating cost (lease costs and expenses) of approximately \$138 million and was composed of 197 leased properties and 4 owned properties. We believe that our current facilities are suitable and adequate for our current businesses. Because of the interrelation of our business segments, each of the segments uses substantially all of these properties at least in part.

We had 0.3 million square feet of our leased and owned properties that became surplus in 2021 due to the implementation of our efficiency initiatives to consolidate our real estate footprint. We aggressively managed our surplus properties through early terminations and subleasing of leased properties and the sale of owned properties. As a result, approximately 0.6 million square feet of the surplus property portfolio were resolved during the year ended December 31, 2021. Additional leased and owned properties may become surplus in the future as we continue to optimize our workforce location strategy based on existing conditions and leverage enhanced work-from-home capabilities. We are obligated to maintain our leased surplus properties through required contractual lease periods and plan to dispose of or sublease these properties.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under Note 16 – Contingencies and Litigation to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Exchange Information

The common stock of Conduent began trading on January 3, 2017, on the New York Stock Exchange, under the ticker "CNDT". In December 2019, Conduent changed the listing of its publicly traded common stock from the New York Stock Exchange to the NASDAQ, where it remains listed under the ticker "CNDT".

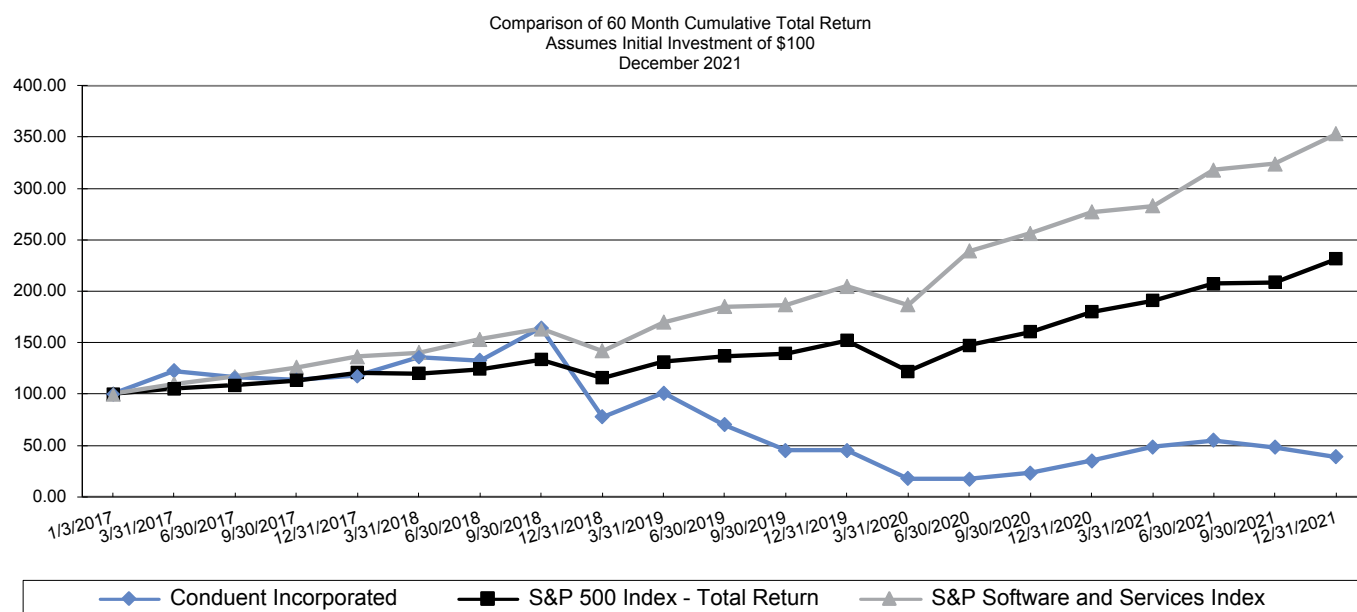
Common Shareholders of Record

There were 22,153 shareholders of record as of January 31, 2022.

Conduent Common Stock Dividends

We did not pay any dividends on our common stock in 2021. We intend to retain future earnings for use in the operation of our business and to fund future growth. We do not anticipate paying any dividends on our common stock for the foreseeable future.

Performance Graph



Sales of Unregistered Securities During the Quarter Ended December 31, 2021

None

Securities Authorized for Issuance Under Existing Equity Compensation Plans

Information about securities authorized for issuance under existing equity compensation plans is incorporated by reference from Item 12—Securities Authorized for Issuance Under Existing Equity Compensation Plans.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis (MD&A) is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. Our MD&A is presented in six sections:

- Overview;
- Financial Information and Analysis of Results of Operations;
- Metrics;
- Capital Resources and Liquidity;
- Critical Accounting Estimates and Policies; and
- Recent Accounting Changes.

This MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes in this Form 10-K for the year ended December 31, 2021. This MD&A provides additional information about our operations, current developments, financial condition, cash flows and results of operations.

The year-over-year comparisons in this MD&A are as of and for the years ended December 31, 2021 and 2020, unless stated otherwise. The discussion of 2020 results and related year-over-year comparisons as of and for the years ended December 31, 2020 and 2019 are found in Item 7 of Part II of our Form 10-K for the year ended December 31, 2020.

Throughout the MD&A, we refer to various notes to our Consolidated Financial Statements which appear in Item 8 of this Form 10-K, and the information contained in such notes is incorporated by reference into the MD&A in the places where such references are made.

Overview

With revenues of \$4.1 billion, we are a leading provider of business process services with expertise in transaction-intensive processing, analytics and automation. We serve as a trusted business partner in both the front office and back office, enabling personalized, seamless interactions on a massive scale that improve end-user experience.

Headquartered in Florham Park, New Jersey, we have a team of approximately 60,000 people as of December 31, 2021, servicing customers from service centers in 24 countries. In 2021, 10% of our revenue was generated outside the U.S.

Our reportable segments correspond to how we organize and manage the business and are aligned to the industries in which our clients operate.

We organize and manage our businesses through three reportable segments.

- **Commercial Industries** – Our Commercial Industries segment provides business process services and customized solutions to clients in a variety of industries. Across the Commercial Industries segment, we operate on our clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for our clients and their consumers and employees.
- **Government Services** – Our Government Services segment provides government-centric business process services to U.S. federal, state and local and foreign governments for public assistance, health services, program administration, transaction processing and payment services. Our solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations.
- **Transportation** – Our Transportation segment provides systems and support, as well as revenue-generating services, to government clients. On behalf of government agencies and authorities in the transportation industry, we deliver mission-critical mobility and payment solutions that improve automation, interoperability and

decision-making to streamline operations, increase revenue and reduce congestion while creating safer communities and seamless travel experiences for consumers.

Significant 2021 Actions

- **Stabilizing Revenue** - Revenue of \$4,140 million for the year ended December 31, 2021 was a decline of 0.55%, a significantly improved trend compared with the prior year.
- **Strong Net Annual Recurring Revenue (ARR) Activity results:** In the fourth quarter of 2020, we introduced the Net ARR activity Metric, a trailing twelve-month metric that measures the revenue from recurring services provided to a client inclusive of all new business annual recurring revenue, notification of lost clients and contractual impacts to price and volume. We have seen steady positive growth in this metric from \$60 million in the fourth quarter of 2020 to \$128 million in the fourth quarter of 2021, an increase of 113%. This increase is driven by new business ARR signings of \$408 million for the year ended December 31, 2021, an increase of 16% compared to that of the prior year, and stronger retention of existing clients.
- **Debt Refinancing** - On October 15, 2021, the Company closed on a debt refinancing and extended its maturity profile. The debt refinancing transactions were as follows:
 - Term Loan A due 2026 in the amount of \$265 million;
 - Term Loan B due 2028 in the amount of \$515 million;
 - Senior Notes due 2029 in the amount of \$520 million; and
 - Revolving Credit Facility maturing 2026 in the amount of \$550 million

Upon closing the debt refinancing, \$100 million was borrowed under the new revolving credit facility. The net proceeds of the new Term Loan A, Term Loan B, Senior Notes and \$100 million of borrowing under the Revolver were used to repay the borrowings under the 2016 Credit Facilities that were outstanding on October 15, 2021. This \$100 million was repaid on February 11, 2022. Refer to Note 11 – Debt in the Consolidated Financial Statements for definition of 2016 Credit Facilities and additional information on the debt refinancing.

- **Disposition** – In December 2021, we entered into an agreement with Symplr Software, Inc. to sell our Midas suite of patient safety, quality and advanced analytics solutions for cash consideration of \$321 million subject to customary working capital adjustments. The Midas solution represented approximately \$70 million and \$72 million of revenue in 2021 and 2020, respectively. The transaction closed on February 8, 2022.
- **Global Labor Market Dynamics** – To address the significant change in the labor market environment, we responded by strengthening our talent acquisition organization and processes and maintaining an appropriate mix of work-from-home and work-from-office roles, which has resulted in increasing hire rates and improved ratings on Comparably and Glassdoor.

Significant 2020 Actions

- **Strong new business signings results** – A strong year of new business with total contract value (TCV) signings of \$1,934 million in 2020, representing an increase of 94% compared to that of the prior year period.
- **Draw down on revolver** – In March 2020, we drew down \$150 million of our \$750 million 2016 Revolving Credit Facility as a precautionary measure in response to the COVID-19 pandemic. This amount was repaid in December 2020.
- **Cost savings initiative** – Beginning in the first quarter of 2020, we expanded the focus of our efficiency initiatives to include both permanent and temporary cost efficiencies, aimed to offset as much of the COVID-19 related negative impacts as possible. We announced an initial target amount of approximately \$100 million of cost savings impact in 2020 and subsequently increased this amount throughout the year. We achieved approximately \$145 million of cost savings impact in 2020 in both permanent savings, such as headcount and vendor optimization, and temporary savings, such as furloughs and reduced travel.
- **Operational improvements** – We have made significant progress on our “Growth”, “Quality”, and “Efficiency”

initiatives by leveraging changes to people, process, and technology. Specific actions have included standardizing governance processes for client implementations, account management, and incident response, centralizing and enhancing the salesforce, restructuring to leverage a shared services model and addressing spans and layers, instituting a global IT command center, continuing to make progress on the data center consolidation plan, among others. These actions have resulted in improvements across the “Growth”, “Quality”, and “Efficiency” pillars. For example, we have shown a significant reduction of the number of technology-related incidents and outages, improvements in associate satisfaction survey results, and increases in service level agreement payments from customers.

COVID-19 Outbreak

Throughout the COVID-19 pandemic, we have continued to provide critical and best-in-class services to our customers and their end-users, while ensuring the health and safety of our associates. To address the potential impact to our business over the near-term, our Business Continuity team established a proactive plan in the first quarter of 2020 that has continued throughout the pandemic, which includes:

- Supporting our associates with several specific initiatives, including making improvements to our policies to extend short term disability, providing extra supplemental sick leave coverage and introducing a hardship leave policy.
- Increased sanitation and social distancing for required on-site essential associates.

At the end of 2021, we continued to have most of our workforce in a work-from-home environment. We will continue to assess when to bring associates back to our offices, as appropriate, based on the specific COVID-19 conditions in certain geographies, as well as business requirements.

As the crisis continues, we may revise our approach to these initiatives or take additional actions to meet the needs of our employees, customers and their end-users as well as the Company's needs and to continue to provide our mission-critical services and solutions.

Refer to the discussion of results of operations below for additional discussion of COVID-19 pandemic related effects.

Financial Information

The section below provides a comparative discussion of our consolidated results of operations for the year ended December 31, 2021 and 2020. See Item 7. MD&A—Financial Information in our Annual Report on Form 10-K for the year ended December 31, 2020, for a comparative discussion of our consolidated results of operations between 2020 and 2019.

(in millions)	Year Ended December 31,		2021 vs. 2020	
	2021	2020	\$ Change	% Change
Revenue	\$ 4,140	\$ 4,163	\$ (23)	(1)%
Operating Costs and Expenses				
Cost of services (excluding depreciation and amortization)	3,138	3,209	\$ (71)	(2)%
Selling, general and administrative (excluding depreciation and amortization)	544	468	\$ 76	16 %
Research and development (excluding depreciation and amortization)	4	1	3	300 %
Depreciation and amortization	352	459	(107)	(23)%
Restructuring and related costs	45	67	(22)	(33)%
Interest expense	55	60	(5)	(8)%
Loss on extinguishment of debt	15	—	15	nm
Loss on divestitures and transaction costs	3	17	(14)	(82)%
Litigation costs, net	3	20	(17)	(85)%
Other (income) expenses, net	6	1	5	500 %
Total Operating Costs and Expenses	4,165	4,302	(137)	
Loss Before Income Taxes	(25)	(139)	114	
Income tax expense (benefit)	3	(21)	24	
Net Loss	\$ (28)	\$ (118)	\$ 90	

Revenue

Revenue for 2021 decreased, compared to the prior year. This is due to lost business from prior years, partially offset by increases attributable to lesser impacts of the COVID-19 pandemic across our Transportation and Commercial Industries segments, increased volumes in our Government Services segment, primarily a result of increased payments activity because of Federal stimulus, and the ramp of new business.

Cost of Services (excluding depreciation and amortization)

Cost of services for 2021 decreased, compared to the prior year, mainly driven by revenue mix, lost business, our efficiency initiatives and cost actions.

Selling, General and Administrative (SG&A) (excluding depreciation and amortization)

SG&A for 2021 increased, compared to the prior year, mainly driven by \$32 million of costs related to an abandonment of an internal project initiated in 2018 by prior leadership, an increase in certain employee-compensation costs, growth in the sales organization and higher recruiting expenses. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for additional information on the abandonment of the internal project.

Depreciation and Amortization

Depreciation and amortization for 2021 decreased, compared to the prior year, primarily due to a portion of certain customer relationship intangible assets being fully amortized in the first quarter of 2021.

Restructuring and Related Costs

We engage in a series of restructuring programs related to downsizing our employee base, reducing our real estate footprint, exiting certain activities, outsourcing certain internal functions, consolidating our data centers and engaging in other actions designed to reduce our cost structure and improve productivity. The following are the components of our Restructuring and related costs:

(in millions, except headcount in whole numbers)	Year Ended December 31,	
	2021	2020
Severance and related costs	\$ 8	\$ 14
Data center consolidation	23	23
Termination and asset impairment costs	10	22
Total Net Current Period Charges	41	59
Consulting and other costs ⁽¹⁾	4	8
Restructuring and Related Costs	<u>\$ 45</u>	<u>\$ 67</u>
Reduction in headcount ⁽²⁾	400	1,600

(1) Represents professional support costs associated with certain strategic transformation programs.

(2) Relates to approximate headcount reductions worldwide associated with Severance and related costs

Refer to Note 9 – Restructuring Programs and Related Costs to the Consolidated Financial Statements for additional information regarding our restructuring programs.

Interest Expense

Interest expense represents interest on long-term debt and the amortization of debt issuance costs. The decrease in Interest expense for 2021, compared to the prior year, was driven primarily by lower interest rates, a lower Term Loan A due 2023 principal balance and the May 1, 2021 repayment of the previously outstanding \$34 million Senior Notes due 2024. Additionally, 2020 included interest expense attributable to the \$150 million drawdown on our Senior Revolving Credit Facility (Prior Revolver) in March 2020, which was repaid in December 2020. These decreases were partially offset by interest on the Senior notes due 2029. Refer to Note 11 – Debt to the Consolidated Financial Statements for additional information.

Loss on Divestitures and Transaction Costs

The costs incurred in 2021 consist of professional fees and other costs related to certain divestiture activities. The costs included in 2020 consist of professional fees related to the strategic review by the Company's Board of Directors and reserves for certain divestiture related litigation.

Litigation Costs, Net

Net litigation costs for 2021 and 2020 primarily consist of reserves for various matters that are subject to litigation. The prior year amount related to certain reimbursement matters with our former parent company, Xerox Corporation.

Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information.

Other (Income) Expenses, Net

Other (income) expenses, net for 2021 and 2020 primarily includes an impairment loss on an equity investment, foreign currency transaction losses (gains), interest income and the Student Loan business shut-down costs.

Income Taxes

The 2021 effective tax rate was (9.7)%, compared to 15.1% for 2020. The 2021 rate was lower than the U.S. statutory rate of 21%, primarily due to the geographic mix of income, valuation allowances, non-deductible expenses and tax settlement adjustments, partially offset by tax credits. The 2020 rate was lower than the U.S. statutory rate of 21%, primarily due to the geographic mix of income, tax settlements, and valuation allowances partially offset by tax credits. The GAAP tax rate is lower in 2021 compared to 2020 due to the impact of discrete tax charges and a small pre-tax loss.

Excluding the impact of amortization, restructuring and other adjustments and discrete tax items, the normalized effective tax rate for 2021 was 26.6%, consistent with the 2020 rate of 27.3%.

The Company believes it is reasonably possible that unrecognized tax benefits of approximately \$11 million will reverse within 12 months due to anticipated audit settlements.

In recent years, government agencies and global organizations have had an increased focus on the issues of taxation of multinational corporations. During 2021, following a framework agreement reached between almost all member countries of the Organization for Economic Co-operation and Development (OECD), the OECD released rules around global taxation of the digital services businesses and a global minimum tax rate, commonly referred to as Pillar 1 and Pillar 2 of the Base Erosion and Profit Shifting (BEPS) initiative, respectively. Pillar 1 addresses the broader challenge of a digitalized economy and focuses on the allocation of group profits among taxing jurisdictions based on a market based concept rather than historical “permanent establishment” concepts. Pillar 1 is directed at companies with revenues greater than 20 billion Euro and is not applicable to Conduent. Pillar 2 addresses the remaining BEPS risk of profit shifting to entities in low tax jurisdictions by introducing a global minimum tax rate and a proposed withholding tax on certain base eroding payments. Pillar 2 may have limited application to Conduent but we do not anticipate a material impact based on current guidance.

Operations Review of Segments

Our financial performance is based on Segment Profit/(Loss) and Segment Adjusted EBITDA for the following three segments:

- Commercial Industries,
- Government Services, and
- Transportation.

Other includes our divestitures and our Student Loan business, which the Company exited in the third quarter of 2018.

Unallocated Costs includes IT infrastructure costs that are shared by multiple reportable segments, enterprise application costs and certain corporate overhead expenses not directly attributable or allocated to our reportable segments.

The section below provides a comparative discussion of our financial performance by segment between the year ended December 31, 2021 and 2020. See Item 7. MD&A - Operations Review of Segments in our Annual Report on Form 10-K for the year ended December 31, 2020 for a comparative discussion of our consolidated results of operations by segment between 2020 and 2019.

Segment Performance Review

(in millions)	Commercial Industries	Government Services	Transportation	Other		Unallocated Costs	Total
Year Ended Dec 31, 2021				Divestitures	Other		
Total Revenue	\$ 2,076	\$ 1,318	\$ 746	\$ —	\$ —	\$ —	\$ 4,140
Segment profit (Loss)	\$ 137	\$ 412	\$ 75	\$ —	\$ 1	\$ (388)	\$ 237
Adjusted EBITDA	\$ 240	\$ 440	\$ 109	\$ —	\$ 1	\$ (303)	\$ 487
% of Total Revenue	50.1 %	31.8 %	17.9 %	— %	— %	— %	100.0 %
Adjusted EBITDA Margin	11.6 %	33.4 %	14.6 %	— %	— %	— %	11.8 %
Year Ended Dec 31, 2020							
Total Revenue	\$ 2,163	\$ 1,281	\$ 719	\$ —	\$ —	\$ —	\$ 4,163
Segment profit (Loss)	\$ 150	\$ 372	\$ 82	\$ —	\$ 9	\$ (348)	\$ 265
Adjusted EBITDA	\$ 258	\$ 397	\$ 117	\$ —	\$ 2	\$ (294)	\$ 480
% of Total Revenue	52.0 %	30.8 %	17.3 %	— %	— %	— %	100.0 %
Adjusted EBITDA Margin	11.9 %	31.0 %	16.3 %	— %	— %	— %	11.5 %

(in millions)	Year Ended December 31,		
Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)	2021	2020	2019
Income (Loss) Before Income Taxes	(25)	(139)	(2,106)
<u>Reconciling items:</u>			
Amortization of acquired intangible assets	135	239	246
Restructuring and related costs	45	67	71
Interest expense	55	60	78
Loss on extinguishment of debt	15	—	—
Goodwill impairment	—	—	1,952
Loss on divestitures and transaction costs	3	17	25
Litigation costs, net	3	20	17
Other (income) expenses, net	6	1	(10)
Segment Pre-Tax Income (Loss)	\$ 237	\$ 265	\$ 273
Segment depreciation and amortization	218	222	216
NY MMIS/HE charge (credit)	—	—	1
CA MMIS charge (credit)	—	(7)	—
Abandonment of internal project	32	—	—
Other adjustments	—	—	4
Adjusted EBITDA	\$ 487	\$ 480	\$ 494

Commercial Industries Segment

Revenue

Commercial Industries revenue for 2021 decreased, compared to the prior year, due to reduced revenue from our HSA offering "Benefit Wallet" (within our HRLS business) as a result of Federal Reserve initiated interest rate reductions, as well as lost business from prior years, partially offset by the ramp of new business.

Segment Profit and Adjusted EBITDA

Decreases in the Commercial Industries segment profit and adjusted EBITDA for 2021, compared to the prior year, were mainly driven by overall revenue declines and the dynamics of a challenging labor market in both North America and Europe, partially offset by the result of progress in our efficiency initiatives and one-time contract exit costs in the second quarter of 2020.

Government Services Segment

Revenue

Government Services revenue for 2021 increased, compared to the prior year, primarily driven by COVID-19 related volume increases. These increases were partially offset by lost business from prior years. The increased volumes from the COVID-19 pandemic were largely driven by the increase in Pandemic SNAP volumes.

Segment Profit and Adjusted EBITDA

Increases in the Government Services segment profit and adjusted EBITDA for 2021, compared to the prior year, were mainly driven by higher COVID-19 related volumes at strong margins and expense reductions resulting from progress in our efficiency initiatives.

Transportation Segment

Revenue

Transportation revenue for 2021 increased, compared to the prior year, driven by the ramp of new business and the impact of loosening of numerous COVID-19 related restrictions, particularly in the United States, partially offset by lost business from prior years.

Segment Profit and Adjusted EBITDA

Transportation segment profit and adjusted EBITDA for 2021 decreased, compared to the prior year, driven by lower margins on new business in our Tolling business, the impact of lost business in the prior year and temporary cost savings in the prior year that more than offset progress in our efficiency initiatives.

Other

Segment Profit (Loss) and Adjusted EBITDA

The decrease in Other segment profit for 2021 compared to the prior year, was primarily due to an adjustment to the then remaining California Medicaid Management Information System settlement liability of \$7 million as a result of the contract expiring in March 2020. This benefit was excluded from adjusted EBITDA for segment reporting purposes due to its non-recurring nature.

Unallocated Costs

The decrease in segment profit is primarily due to the \$32 million charge related to the abandonment of an internal project. The decrease in adjusted EBITDA for 2021, compared to the prior year, was mainly driven by a greater proportion of legal costs being related to corporate matters and therefore not being allocated to a segment.

Metrics

Signings

Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. TCV is the estimated total contractual revenue related to signed contracts, excluding the impact of divested business as required.

For the year ended December 31, 2021, the Company signed \$1,785 million of new business, representing an 8% decrease compared to the prior year. Renewal TCV for the year ended December 31, 2021 was \$2,835 million, an increase of 1% compared to the prior year.

The amounts in the following table exclude the impact of divestitures.

(in millions)	Year Ended December 31,		2021 vs. 2020	
	2021	2020	\$ Change	% Change
New business TCV	\$ 1,785	\$ 1,934	\$ (149)	(8)%
Renewals TCV	2,835	2,809	26	1 %
Total Signings	<u>\$ 4,620</u>	<u>\$ 4,743</u>	<u>\$ (123)</u>	<u>(3)%</u>
New business annual recurring revenue (ARR) signings ⁽¹⁾	\$ 408	\$ 353	\$ 55	16 %
New business non-recurring revenue (NRR) signings ⁽²⁾	\$ 410	\$ 255	\$ 155	61 %

(1) New business ARR measures the revenue from recurring services provided to the client for any new business signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term.

(2) New business NRR measures the non-recurring revenue for any new business signing, including (i) signing value of any contract with term less than 12 months and (ii) signing value of project based revenue, not expected to continue long term.

Net ARR Activity

The Net ARR Activity metric is defined as Projected Annual Recurring Revenue for contracts signed in the prior 12 months, less the annualized impact of any client losses, contractual volume and price changes, and other known impacts for which the Company was notified in that same time period, which could positively or negatively impact results. The metric annualizes the net impact to revenue. Timing of revenue impact varies and may not be realized within the forward 12-month timeframe. The metric is for indicative purposes only. This metric excludes COVID-related volume impacts and non-recurring revenue signings. This metric is not indicative of any specific 12-month timeframe.

The Net ARR activity metric for the trailing twelve months for each of the prior four quarters was as follows:

(in millions)	Net ARR Activity metric	
December 31, 2021	\$	128
September 30, 2021		132
June 30, 2021		106
March 31, 2021		87

Capital Resources and Liquidity

As of December 31, 2021 and 2020, total cash and cash equivalents were \$415 million (of which approximately \$132 million was cash in foreign locations) and \$450 million (of which approximately \$124 million was cash in foreign locations), respectively. We also have a \$550 million revolving line of credit for our various cash needs, of which \$100 million has been utilized for borrowings and \$20 million has been utilized for letters of credit as of December 31, 2021. On February 11, 2022, we repaid this \$100 million.

As of December 31, 2021, in addition to the borrowings under our revolving line of credit, there was a total of \$1.3 billion outstanding borrowings under our 2021 Term Loan A, Term Loan B and Senior notes, of which \$22 million was due within one year. Refer to Note 11 – Debt to the Consolidated Financial Statements for additional debt information.

In January 2019, we acquired Health Solution Plus, a software provider of healthcare payer administration solutions for a total base consideration of \$90 million. This acquisition is part of the Commercial Industries segment.

In February 2019, we reached a settlement agreement and release with the State of Texas (State) and the Texas Department of Health and Human Services, which was amended in May 2019 (Texas Agreement). Pursuant to the terms of the Texas Agreement, the Company was required to pay the State \$236 million, of which \$118 million was paid in 2019 and the remaining \$118 million was paid in January 2020.

Cash Flow Analysis

The following summarizes our cash flows for the two years ended December 31, 2021, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions)	Year Ended December 31,		Change
	2021	2020	2021 vs. 2020
Net cash provided by (used in) operating activities	\$ 243	\$ 161	\$ 82
Net cash provided by (used in) investing activities	(142)	(134)	(8)
Net cash provided by (used in) financing activities	(132)	(74)	(58)

Operating Activities

The net improvement in cash flow provided by operating activities of \$82 million, compared to the prior year, was primarily attributable to the absence of the payment in 2020 under the Texas Agreement, partially offset by higher net income tax payments and other working capital changes.

Investing Activities

The increase in cash used in investing activities of \$8 million, compared to the prior year, was primarily due to increased spending related to modernizing our infrastructure and productivity tools.

Financing Activities

The increase in cash used in financing activities of \$58 million, compared to the prior year, was primarily due to increased payments of principal on debt and payment of debt issuance costs related to our debt refinancing in 2021 and payment of the previously outstanding \$34 million of Senior Notes due 2024.

Sales of Accounts Receivable

The net impact from the sales of accounts receivable on net cash provided by (used in) operating activities for the years ended December 31, 2021, 2020 and 2019 was \$(10) million, \$(22) million and \$51 million, respectively. The net impact from the sales of accounts receivable represents the difference between current and prior year fourth quarter accounts receivable sales adjusted for the effects of collections prior to the end of the year.

Financial Instruments

Refer to Note 12 – Financial Instruments to the Consolidated Financial Statements for additional information.

Material Cash Requirements from Contractual Obligations

The Company believes its balances of cash and cash equivalents, which totaled \$415 million as of December 31, 2021, along with cash generated by operations and amounts available for borrowing under its 2021 Revolving Credit Facility, will be sufficient to satisfy its cash requirements over the next 12 months and beyond.

At December 31, 2021, the Company's material cash requirements include the following contractual and other obligations.

Debt

As of December 31, 2021, we had outstanding debt with floating and fixed rates totaling \$1,440 million, of which \$30 million was due within 12 months. Future interest payments associated with this debt, which has maturities through 2029, are \$511 million, of which \$71 million is due within 12 months. Refer to Note 11 – Debt in the Consolidated Financial Statements for additional information.

Leases

In the normal course of business, we enter lease arrangements for certain equipment and facilities. As of December 31, 2021, total fixed lease payables were \$309 million, of which \$92 million was due within 12 months. Refer to Note 7 – Leases in the Consolidated Financial Statements for additional information.

Estimated Purchase Commitments

We have committed to purchasing certain materials and services to support our operations. The total of these commitments was \$138 million as of December 31, 2021, of which \$88 million was due within 12 months.

Other Contingencies and Commitments

As more fully discussed in Note 16 – Contingencies and Litigation to the Consolidated Financial Statements, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning: securities law; governmental entity contracting, servicing and procurement law; intellectual property law; employment law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. In addition, guarantees, indemnifications and claims may arise during the ordinary course of business from relationships with suppliers and customers. Nonperformance under a contract including a guarantee, indemnification or claim could trigger an obligation of the Company.

We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. Should developments in any of these areas cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs. Refer to Note 16 – Contingencies and Litigation in the Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

As of December 31, 2021, we do not believe we have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

In addition, refer to the preceding discussion of the Company's contractual cash obligations and other commercial commitments and Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding contingencies, guarantees and indemnifications.

Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and notes thereto. In preparing our Consolidated Financial Statements, we have made our best estimates and judgments of certain amounts included in the Consolidated Financial Statements giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Senior management has discussed the development and selection of the critical accounting policies, estimates and related disclosures included herein with the Audit Committee of the Board of Directors. We consider these as critical to understanding our Consolidated Financial Statements, as their application places the most significant demands on management's judgment, since financial reporting results rely on estimates of the effects of matters that are inherently uncertain. In instances where different estimates could have reasonably been used, we disclose the impact of these different estimates on our operations. In certain instances, the accounting rules are prescriptive; therefore, it would not have been possible to reasonably use different estimates. Changes in assumptions and estimates are reflected in the period in which they occur. The impact of such changes could be material to our results of operations and financial condition in any quarterly or annual period.

Specific risks associated with these critical accounting policies are discussed in MD&A, where such policies affect our reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies to the Consolidated Financial Statements.

Assets/Liabilities Held for Sale

We classify assets as held for sale in the period when the following conditions are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal group); (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset (disposal group) beyond one year; (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A long-lived asset (disposal group) that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of sale.

The fair value of a long-lived asset (disposal group) less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the asset (disposal group), as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. Upon determining that a long-lived asset (disposal group) meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group in the line items Assets held for sale and Liabilities held for sale, respectively, in the Consolidated Balance Sheets.

On December 29, 2021, the Company signed a definitive agreement to sell its Midas Suite of Solutions to Sympplr Software, Inc. This action was taken because of the Company's strategy to streamline its portfolio and its consideration of divestitures of select businesses to enhance shareholder and client value. As of December 31, 2021, the Company determined that this business met the conditions above to be classified as held for sale. Refer to Note 4 – Assets/Liabilities Held for Sale and Divestiture to the Consolidated Financial Statements for additional information.

Revenue Recognition

Application of the accounting principles in U.S. GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies and Note 2 – Revenue to the Consolidated Financial Statements for additional information regarding our revenue recognition policies.

Goodwill

Goodwill is not amortized but rather tested for impairment annually, or more frequently if an event or circumstance indicates that impairment may have been incurred. Events or circumstances that might indicate an interim evaluation is warranted include, among other things, unexpected adverse business conditions, macro and reporting unit specific economic factors, supply costs, unanticipated adverse events or conditions impacting revenues, cash flows or profitability, unanticipated competitive activities and acts by governments and courts. Refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies and Note 8 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for additional information regarding our goodwill policies.

Application of the interim and annual goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and the assessment of the fair value of each reporting unit. We currently have six reporting units which support our three reportable segments: Customer Experience Management, Business Operations Solutions, Commercial Healthcare and Human Resources and Learning Services (together comprising Commercial Industries), Government Services and Transportation.

Our annual quantitative impairment test of goodwill was performed as of October 1, 2021.

In our quantitative test, we estimate the fair value of each reporting unit by weighting the results from the income approach (discounted cash flow methodology) and market approach. These valuation approaches require significant judgment and consider several factors that include, but are not limited to, expected future cash flows, growth rates and discount rates and comparable multiples from publicly traded companies in our industry. In addition, we are required to make certain assumptions and estimates regarding the current economic environment, industry factors and the future profitability of our businesses.

When performing our discounted cash flow analysis for each reporting unit, we incorporate the use of projected financial information and discount rates that are developed using market participant-based assumptions. The cash-flow projections are based on three-year financial forecasts developed by management that include revenue and expense projections, restructuring activities, capital spending trends and investment in working capital to support anticipated revenue growth or other changes in the business. The selected discount rates consider the risk and nature of the respective reporting units' cash flows, appropriate capital structure and rates of return that market participants would require to invest their capital in our reporting units.

We believe these assumptions are appropriate and reflect our forecasted long-term business model and consider our historical results as well as the current economic environment and markets that we serve. The most significant assumptions used in the goodwill analysis relate to the discount rates (ranging from 11.50% to 13.50%) and long-term organic growth rates (ranging from 2.5% to 3.0%) for the reporting units within the Commercial Industries, Government Services and Transportation reportable segments.

Based on our quantitative assessments, we concluded that the fair value of our reporting units exceeded their respective carrying values and, accordingly, we did not record any goodwill impairment charge in the year ended December 31, 2021. If we used different assumptions for discount rates or long-term organic growth rates, our calculated fair values of our reporting units could be higher or lower which could result in a goodwill impairment.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. The determination of our provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. Our provision is based on nonrecurring events as well as recurring factors, including the taxation of foreign income. In addition, our provision will change based on discrete or other nonrecurring events such as audit settlements, tax law changes, changes in valuation allowances and other factors, that may not be predictable. If there is a significant unusual or one-time item recognized in our operating results, the taxes attributable to that item would be separately calculated and recorded at the same time as the unusual or one-time item.

We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded in our Consolidated Balance Sheets and provide valuation allowances as required. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Gross deferred tax assets of \$265 million and \$294 million had valuation allowances of \$82 million and \$83 million at December 31, 2021 and 2020, respectively.

We are subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, we may incur additional tax expense based upon our assessment of the more-likely-than-not outcomes of such matters. In addition, when applicable, we adjust previously recorded tax expense to reflect examination results. Our ongoing assessments of the more-likely-than-not outcomes of examinations and related tax positions require judgment and can materially increase or decrease our effective tax rate, as well as impact our operating results. Unrecognized tax benefits were \$23 million, \$23 million and \$24 million at December 31, 2021, 2020 and 2019, respectively.

Refer to Note 15 – Income Taxes to the Consolidated Financial Statements for additional information regarding deferred income taxes and unrecognized tax benefits.

Loss Contingencies

We are currently involved in various claims and legal proceedings. At least quarterly, we review the status of each significant matter and assess its potential financial exposure considering all available information including, but not limited to, the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise estimates. These revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position.

Refer to Note 16 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding loss contingencies.

Recent Accounting Changes

See Note 1 – Basis of Presentation and Summary of Significant Accounting Policies for information on accounting standards adopted during the current year, as well as recently issued accounting standards not yet required to be adopted and the expected impact of the adoption of these accounting standards. To the extent we believe the adoption of new accounting standards has had or will have a material impact on our consolidated results of operations, financial condition or liquidity, we also discuss the impact in the applicable section(s) of this MD&A.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to market risk from foreign currency exchange rates, which could affect operating results, financial position and cash flows. We manage our exposure to this market risk through our regular operating and financing activities and, when appropriate, using derivative financial instruments. We utilized derivative financial instruments to hedge economic exposures, as well as reduce earnings and cash flow volatility resulting from shifts in market rates. We also hedge the cost to fund material non-dollar entities by buying currencies periodically in advance of the funding date. This is accounted for using derivative accounting.

Recent market events have not caused us to materially modify or change our financial risk management strategies with respect to our exposures to foreign currency risk. Refer to Note 12 – Financial Instruments to the Consolidated Financial Statements for additional discussion on our financial risk management.

Foreign Exchange Risk Management

Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at December 31, 2021, the potential change in the fair value of foreign currency-denominated assets and liabilities in each entity would not be significant because all material currency asset and liability exposures were economically hedged as of December 31, 2021. A 10% appreciation or depreciation of the U.S. Dollar against all currencies from the quoted foreign currency exchange rates at December 31, 2021 would have an impact on our cumulative translation adjustment portion of equity of approximately \$77 million. The net amount invested in foreign subsidiaries and affiliates, primarily in the U.K. and Europe, and translated into U.S. Dollars using the year-end exchange rates, was approximately \$772 million at December 31, 2021.

Interest Rate Risk Management

The consolidated weighted-average interest rates related to our total debt for 2021 approximated 3.10% for 2021 Term A Loan due 2026, 5.00% for 2021 Term B Loan due 2028, 6.04% for 2021 Senior Notes due 2029, 2.58% for our 2021 Revolving Credit Facility maturing 2026 and 5.01% for finance lease obligations. As of December 31, 2021, \$880 million of our total debt of \$1,440 million carried variable interest rates. The fair values of our fixed rate financial instruments are sensitive to changes in interest rates and at December 31, 2021, a 10% increase in market interest rates would decrease the fair values of such financial instruments by approximately \$19 million. A 10% decrease in market interest rates would increase the fair values of such financial instruments by approximately \$20 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Conduent Incorporated

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Conduent Incorporated and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), of comprehensive income (loss), of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2021 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment – Reporting Units Within the Commercial Industries Reportable Segment

As described in Notes 1 and 8 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1,339 million as of December 31, 2021. The goodwill associated with the Commercial Industries reportable segment was \$661 million. Management tests goodwill for impairment annually or more frequently if an event or change in circumstances indicate the asset may be impaired. As disclosed by management, the annual quantitative impairment test of goodwill was performed as of October 1, 2021. Impairment testing for goodwill is done at the reporting unit level. The fair value of reporting units is determined using a combination of both an income approach and a market approach. The income approach utilizes a discounted cash flow analysis based upon the forecasted future business results of reporting units. The market approach utilizes the guideline public company method. If the fair value of a reporting unit is less than its carrying amount, an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. There was no impairment identified for the year ended December 31, 2021. As disclosed by management, the most significant assumptions used in the goodwill analysis relate to the long-term organic growth rate as well as the discount rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment for the reporting units within the Commercial Industries reportable segment is a critical audit matter are (i) the significant judgment by management when determining the fair value of the reporting units; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions related to the long-term organic growth rate and the discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's goodwill impairment assessment, including controls over the determination of the fair value of the reporting units within the Commercial Industries reportable segment. These procedures also included, among others, testing management's process for determining the fair value of the reporting units within the Commercial Industries reportable segment; evaluating the appropriateness of the discounted cash flow analysis;

testing the completeness and accuracy of underlying data used in the discounted cash flow analysis; and evaluating the significant assumptions used by management related to the long-term organic growth rate and the discount rates. Evaluating management's significant assumption related to the long-term organic growth rate involved evaluating whether the long-term organic growth rate used was reasonable considering (i) the current and past performance of each reporting unit; (ii) the consistency with external market and industry data; and (iii) whether the long-term organic growth rate assumption was consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's discounted cash flow analysis and in the evaluation of the reasonableness of the long-term organic growth rate and the discount rate significant assumptions.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 23, 2022

We have served as the Company's auditor since 2016.

REPORTS OF MANAGEMENT

Management's Responsibility for Financial Statements

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

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

/s/ CLIFFORD SKELTON

Chief Executive Officer

/s/ STEPHEN WOOD

Chief Financial Officer & Principal Accounting Officer

CONDUENT INCORPORATED **CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

	Year Ended December 31,		
	2021	2020	2019
(in millions, except per-share data)			
Revenue	\$ 4,140	\$ 4,163	\$ 4,467
Operating Costs and Expenses			
Cost of services (excluding depreciation and amortization)	3,138	3,209	3,494
Selling, general and administrative (excluding depreciation and amortization)	544	468	479
Research and development (excluding depreciation and amortization)	4	1	8
Depreciation and amortization	352	459	459
Restructuring and related costs	45	67	71
Interest expense	55	60	78
Loss on extinguishment of debt	15	—	—
Goodwill impairment	—	—	1,952
Loss on divestitures and transaction costs	3	17	25
Litigation costs, net	3	20	17
Other (income) expenses, net	6	1	(10)
Total Operating Costs and Expenses	4,165	4,302	6,573
Loss Before Income Taxes	(25)	(139)	(2,106)
Income tax expense (benefit)	3	(21)	(172)
Net Loss	\$ (28)	\$ (118)	\$ (1,934)
Basic Loss per Share	\$ (0.18)	\$ (0.61)	\$ (9.29)
Diluted Loss per Share	\$ (0.18)	\$ (0.61)	\$ (9.29)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)	Year Ended December 31,		
	2021	2020	2019
Net Loss	\$ (28)	\$ (118)	\$ (1,934)
Other Comprehensive Income (Loss), Net⁽¹⁾			
Currency translation adjustments, net	(31)	8	3
Reclassification of currency translation adjustments on divestitures	—	—	15
Reclassification of divested benefit plans and other	—	—	(1)
Unrecognized gains (losses), net	(1)	—	1
Changes in benefit plans, net	1	1	—
Other Comprehensive Income (Loss), Net	(31)	9	18
Comprehensive Income (Loss), Net	<u>\$ (59)</u>	<u>\$ (109)</u>	<u>\$ (1,916)</u>

(1) All amounts are net of tax. Tax effects were immaterial. Refer to Note 19 – Other Comprehensive Income (Loss) for information about pre-tax amounts.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED CONSOLIDATED BALANCE SHEETS

	December 31,	
	2021	2020
(in millions, except share data in thousands)		
Assets		
Cash and cash equivalents	\$ 415	\$ 450
Accounts receivable, net	699	670
Assets held for sale	184	—
Contract assets	154	151
Other current assets	228	306
Total current assets	1,680	1,577
Land, buildings and equipment, net	281	305
Operating lease right-of-use assets	231	246
Intangible assets, net	52	187
Goodwill	1,339	1,528
Other long-term assets	453	413
Total Assets	\$ 4,036	\$ 4,256
Liabilities and Equity		
Current portion of long-term debt	\$ 30	\$ 90
Accounts payable	198	182
Accrued compensation and benefits costs	243	237
Unearned income	82	133
Liabilities held for sale	29	—
Other current liabilities	443	450
Total current liabilities	1,025	1,092
Long-term debt	1,383	1,420
Deferred taxes	75	97
Operating lease liabilities	184	207
Other long-term liabilities	95	108
Total Liabilities	2,762	2,924
Contingencies (See Note 16)		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,910	3,899
Retained earnings (deficit)	(2,351)	(2,313)
Accumulated other comprehensive loss	(429)	(398)
Total Equity	1,132	1,190
Total Liabilities and Equity	\$ 4,036	\$ 4,256
Shares of common stock issued and outstanding	215,381	212,074
Shares of series A convertible preferred stock issued and outstanding	120	120

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED **CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Year Ended December 31,		
	2021	2020	2019
Cash Flows from Operating Activities:			
Net loss	\$ (28)	\$ (118)	\$ (1,934)
Adjustments required to reconcile net loss to cash flows from operating activities:			
Depreciation and amortization	352	459	459
Contract inducement amortization	1	2	3
Goodwill impairment	—	—	1,952
Write-off of implementation costs	28	—	—
Deferred income taxes	(21)	(21)	(220)
(Gain) loss from investments	5	(3)	(4)
Amortization of debt financing costs	6	7	7
Loss on extinguishment of debt	15	—	—
Loss on divestitures and sales of fixed assets, net	1	6	8
Stock-based compensation	21	20	24
Allowance for credit losses	1	2	3
Changes in operating assets and liabilities:			
Accounts receivable	(45)	(14)	107
Other current and long-term assets	(44)	(36)	(14)
Accounts payable and accrued compensation and benefits costs	23	39	(15)
Other current and long-term liabilities	(68)	(174)	(247)
Net change in income tax assets and liabilities	(4)	(8)	3
Net cash provided by (used in) operating activities	243	161	132
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(80)	(76)	(148)
Proceeds from sale of land, buildings and equipment	—	—	2
Cost of additions to internal use software	(67)	(63)	(67)
Payments for acquisitions, net of cash acquired	—	—	(90)
Proceeds from divestitures	5	5	(7)
Net cash provided by (used in) investing activities	(142)	(134)	(310)
Cash Flows from Financing Activities:			
Proceeds from revolving credit facility	100	150	—
Payments on revolving credit facility	—	(150)	—
Proceeds from the issuance of debt, net	1,299	5	—
Payments on debt	(1,500)	(55)	(54)
Debt issuance costs	(9)	—	—
Premium on debt redemption	(2)	—	—
Payment of contingent consideration related to acquisition	—	(4)	—
Taxes paid for settlement of stock-based compensation	(10)	(10)	(21)
Dividends paid on preferred stock	(10)	(10)	(10)
Net cash provided by (used in) financing activities	(132)	(74)	(85)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(7)	—	3
Increase (decrease) in cash, cash equivalents and restricted cash	(38)	(47)	(260)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	458	505	765
Cash, Cash Equivalents and Restricted Cash at End of period⁽¹⁾	\$ 420	\$ 458	\$ 505

(1) Includes \$5 million, \$8 million and \$9 million of restricted cash as of the years ended December 31, 2021, 2020 and 2019, respectively, that was included in Other current assets on their respective Consolidated Balance Sheets.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCL ⁽¹⁾	Conduent Shareholders' Equity
Balance at December 31, 2018	\$ 2	\$ 3,878	\$ (233)	\$ (425)	\$ 3,222
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Cumulative effect of accounting change - lease standard	—	—	(8)	—	(8)
Stock option and incentive plans, net	—	12	—	—	12
Comprehensive Income (Loss):					
Net Loss	—	—	(1,934)	—	(1,934)
Other comprehensive income (loss), net	—	—	—	18	18
Total Comprehensive Income (Loss), Net	—	—	(1,934)	18	(1,916)
Balance at December 31, 2019	<u>\$ 2</u>	<u>\$ 3,890</u>	<u>\$ (2,185)</u>	<u>\$ (407)</u>	<u>\$ 1,300</u>
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Stock option and incentive plans, net	—	9	—	—	9
Comprehensive Income (Loss):					
Net Loss	—	—	(118)	—	(118)
Other comprehensive income (loss), net	—	—	—	9	9
Total Comprehensive Income (Loss), Net	—	—	(118)	9	(109)
Balance at December 31, 2020	<u>\$ 2</u>	<u>\$ 3,899</u>	<u>\$ (2,313)</u>	<u>\$ (398)</u>	<u>\$ 1,190</u>
Dividend - preferred stock, \$80/per share	—	—	(10)	—	(10)
Stock option and incentive plans, net	—	11	—	—	11
Comprehensive Income (Loss):					
Net Loss	—	—	(28)	—	(28)
Other comprehensive income (loss), net	—	—	—	(31)	(31)
Total Comprehensive Income (Loss), Net	—	—	(28)	(31)	(59)
Balance at December 31, 2021	<u>\$ 2</u>	<u>\$ 3,910</u>	<u>\$ (2,351)</u>	<u>\$ (429)</u>	<u>\$ 1,132</u>

(1) AOCL - Accumulated other comprehensive loss.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

References herein to “we,” “us,” “our,” the “Company” and “Conduent” refer to Conduent Incorporated and its consolidated subsidiaries unless the context suggests otherwise.

Description of Business

As one of the largest business process services companies in the world, Conduent delivers mission-critical services and solutions on behalf of businesses and governments – creating exceptional outcomes for its clients and the millions of people who count on them. Through people, process, expertise in transaction-intensive processing and technology such as analytics and automation, Conduent's services and solutions create value by improving efficiencies, reducing costs and enabling revenue growth. A majority of Fortune 100 companies and over 500 government entities depend on Conduent every day to manage their business processes and essential interactions with their end-users. The Company's portfolio includes industry-focused solutions in attractive growth markets such as healthcare and transportation, as well as solutions that serve multiple industries such as transaction processing, customer care, human resource solutions and payment services.

Basis of Presentation

The Company's Consolidated Financial Statements included the historical basis of assets, liabilities, revenues and expenses of the individual businesses of the Company, including joint ventures and partnerships over which the Company has a controlling financial interest. The Company has prepared the Consolidated Financial Statements pursuant to the rules and regulations of the SEC. Certain reclassifications have been made to prior years' amounts to conform to the current year presentation. All intercompany transactions and balances have been eliminated.

The Company has evaluated subsequent events through February 23, 2022.

Conduent Incorporated is a New York corporation, organized in 2016. Its common stock began trading on January 3, 2017, on the New York Stock Exchange, under the ticker “CNDT”. In December 2019, Conduent changed the listing of its publicly traded common stock from the New York Stock Exchange to the NASDAQ Global Select Market (NASDAQ), where it remains listed under the ticker “CNDT”.

Use of Estimates

The Company prepared the Consolidated Financial Statements using financial information available at the time of preparation, which requires it to make estimates and assumptions that affect the amounts reported. The Company's most significant estimates pertain to intangible assets, valuation of goodwill, contingencies and litigation and income taxes. These estimates are based on management's best knowledge of current events, historical experience, and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results may be different from these estimates.

As of December 31, 2021, the impact of the COVID-19 pandemic, the mitigating impact of the rollout of a vaccine for it and fluctuating cases of new variants of the virus continue to unfold. As a result, many of the Company's estimates and assumptions continue to require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, the Company's estimates may change materially in the future.

New Accounting Standards

The Company has considered all recent accounting standards issued, but not yet effective, and does not expect any to have a material impact on the Company's Consolidated Financial Statements.

Recently Adopted Accounting Standards

Reference Rate Reform: In March 2020, the Financial Accounting Standards Board (FASB) issued updated guidance relating to the accounting for the discontinuation of the London Inter-bank Offered Rate (LIBOR), referred to as reference rate reform. This guidance provides optional practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the reference rate reform if certain criteria are met. This guidance is applicable to contract modifications that replace a reference LIBOR rate affected by reference rate reform. The amendments may be applied through December 31, 2022. The Company adopted the reference rate reform guidance on a retrospective basis as of January 1, 2021. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

Income Taxes: In December 2019, the FASB issued final guidance that simplified the accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification (ASC) 740, Income Taxes. This final guidance was effective for fiscal years beginning January 1, 2021. The Company adopted the final income taxes guidance as of January 1, 2021. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

The American Rescue Plan Act, which became law in March 2021, added a new subsection to Section 162(m) of the Internal Revenue Code to expand the application of Section 162(m) to an additional five most highly compensated individuals. The expansion of Section 162(m) coverage is effective for tax years beginning after December 31, 2026. This expansion does not have an impact in the current year. The Company will monitor any potential impacts going forward.

Summary of Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, including money market funds and investments with original maturities of three months or less.

Receivable Sales

In 2021, 2020 and 2019, the Company sold certain accounts receivable and derecognized the corresponding receivable balance. Refer to Note 5 – Accounts Receivable, Net for more details on the Company's receivable sales.

Assets/Liabilities Held for Sale

The Company classifies assets as held for sale in the period when the following conditions are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset (disposal group); (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal group); (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset (disposal group) beyond one year; (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A long-lived asset (disposal group) that is classified as held for sale is initially measured at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of sale.

The fair value of a long-lived asset (disposal group) less any costs to sell is assessed each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the asset (disposal group), as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

On December 29, 2021, the Company signed a definitive agreement to sell its Midas Suite of Solutions to Sympplr Software, Inc. This action was taken because of the Company's strategy to streamline its portfolio and its consideration of divestitures of select businesses to enhance shareholder and client value. As of December 31, 2021, the Company determined that this business met the conditions discussed above to be classified as held for sale.

Refer to Note 4 – Assets/Liabilities Held for Sale and Divestiture for further discussion.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Buildings and equipment are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life. Significant improvements are capitalized and maintenance and repairs are expensed when incurred.

Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further discussion.

Internal Use and Product Software

Internal Use Software: The Company capitalizes direct costs associated with developing, purchasing or otherwise acquiring software for internal use and amortizes these costs on a straight-line basis over the expected useful life of the software, beginning when the software is implemented. Costs for upgrades and enhancements that will not result in additional functionality are expensed as incurred. Amounts incurred for Internal Use Software are included in Cash Flows from Investing Activities.

Product Software: The Company also capitalizes certain costs related to the development of software solutions to be sold to its customers upon reaching technological feasibility. These costs are amortized on a straight-line basis over the estimated economic life of the software. Amounts incurred for Product Software are included in Cash Flows from Operating activities. The Company performs annual reviews to ensure that unamortized Product Software costs remain recoverable from estimated future operating profits (net realizable value). Costs to support or service licensed software are charged to Costs of services as incurred.

Internal use and Product software are included in Other long-term assets on the Company's Consolidated Balance Sheets. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further information.

Cloud Computing Arrangements

The Company incurs costs to implement cloud computing arrangements that are hosted by third party vendors. Implementation costs associated with cloud computing arrangements are capitalized when incurred during the application development phase. Amortization is calculated on a straight-line basis over the contractual term of the cloud computing arrangement, which includes renewal options that are reasonably certain to be exercised. Capitalized amounts related to such arrangements are recorded within Other current assets and Other long-term assets in the Consolidated Balance Sheets. The amortization expense and the associated hosting fees are included in Cost of services and Selling, general and administrative expenses, depending on the nature of the underlying use of the cloud computing arrangement, in the Company's Consolidated Statements of Income (Loss).

In the fourth quarter of 2021, the Company wrote-off approximately \$28 million of previously capitalized implementation costs. Refer to Note 6 – Land, Buildings, Equipment and Software, Net for further information.

Leases

The Company adopted the new lease guidance as of January 1, 2019, using the cumulative-effect adjustment transition method, which applies the provisions of the standard at the effective date without adjusting the comparative periods presented. The Company determines if an arrangement is a lease at the inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. The Company has operating and finance leases for real estate and equipment. Operating leases are included in Operating lease ROU assets, Other current liabilities, and Operating lease liabilities in our Consolidated Balance Sheets. Finance leases are included in Land, buildings and equipment, net, Current portion of long-term debt, and Long-term debt in the Company's Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the net present value of lease payments over the lease term using the Company's incremental borrowing rates or implicit rates. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option based on economic factors. The Company recognizes operating fixed lease expense and finance lease depreciation on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. The Company accounts for lease and non-lease components separately for its equipment leases, based on the estimated standalone price of each component, and combines lease and non-lease components for its real estate leases.

Refer to Note 7 – Leases for further information.

Goodwill

For acquired businesses, the Company records the acquired assets and assumed liabilities based on their relative fair values at the date of acquisitions (commonly referred to as the purchase price allocation). Goodwill represents the excess of the purchase price paid in excess of the fair value of net tangible and intangible assets acquired. For the Company's business acquisitions, the purchase price is allocated to identifiable intangible assets separate from goodwill if they are from contractual or other legal rights, or if they could be separated from the acquired business and sold, transferred, licensed, rented or exchanged.

The Company tests goodwill for impairment annually or more frequently if an event or change in circumstances indicate the asset may be impaired. Impairment testing for goodwill is done at the reporting unit level. The Company determined the fair value of its reporting units utilizing a combination of both an Income Approach and a Market Approach. The Income Approach utilizes a discounted cash flow analysis based upon the forecasted future business results of its reporting units. The Market Approach utilizes the guideline public company method. If the fair value of a reporting unit is less than its carrying amount, an impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

Refer to Note 8 – Goodwill and Intangible Assets, Net for further information.

Other Intangible Assets

Other intangible assets primarily consist of assets acquired through business combinations, primarily installed customer base. Other intangible assets are amortized on a straight-line basis over their estimated economic lives unless impairment is identified.

Refer to Note 8 – Goodwill and Intangible Assets, Net for further information.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, including buildings, equipment, internal use software, product software, right-of-use assets and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The Company's primary measure of fair value is based on forecasted cash flows.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are based on differences between U.S. GAAP reporting and tax bases of assets or liabilities and based on current tax laws, regulations and rates.

The recognition of deferred tax assets requires an assessment to determine the realization of such assets. Management establishes valuation allowances on deferred tax assets when it is determined "more-likely-than-not" that some portion or all of the deferred tax assets may not be realized. Management considers positive and negative evidence in evaluating the ability of the Company to realize its deferred tax assets, including its historical results and forecasts of future ability to realize its deferred tax assets, including projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

The Company is subject to ongoing tax examinations and assessments in various jurisdictions. The Company has unrecognized tax benefits for uncertain tax positions. The Company follows U.S. GAAP which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can materially increase or decrease its effective tax rate, as well as impact its operating results.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (Tax Reform). The Tax Reform includes a tax on global intangible low-taxed income ("GILTI"), which imposes a U.S. tax on certain income earned by the Company's foreign subsidiaries. The Company elected to treat the tax on GILTI as a period cost when incurred and therefore, no deferred taxes for GILTI were recognized for the year ended December 31, 2021.

Refer to Note 15 – Income Taxes for further discussion.

Foreign Currency Translation and Re-measurement

The functional currency for most foreign operations is the local currency. Net assets are translated at current rates of exchange and income, expense and cash flow items are translated at average exchange rates for the applicable period. The translation adjustments are recorded in Accumulated other comprehensive loss.

The U.S. Dollar is used as the functional currency for certain foreign subsidiaries that conduct their business in U.S. Dollars. A combination of current and historical exchange rates is used in re-measuring the local currency transactions of these subsidiaries and the resulting exchange adjustments are recorded in Currency (gains) and losses within Other (income) expenses, net together with other foreign currency re-measurements.

Revenue Recognition

The Company recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately, versus together, may require judgment. Typically, the Company's contracts include performance obligation(s) to stand-ready on a daily or monthly basis to provide services to the customers. Under

a stand-ready obligation, the evaluation of the nature of our performance obligation is focused on each time increment rather than the underlying activities. Accordingly, the promise to stand-ready is accounted for as a single-series performance obligation.

Once the Company determines the performance obligations, the Company determines the transaction price, which is based on fixed and variable consideration. Typical forms of variable consideration include variable pricing based on the number of transactions processed or usage-based pricing arrangements. Variable consideration is also present in the form of volume discounts, tiered and declining pricing, penalties for service level agreements, performance bonuses and credits. In circumstances where the Company meets certain requirements to allocate variable consideration to a distinct service within a series of related services, it allocates variable consideration to each distinct period of service within the series. In limited circumstances, if the Company does not meet those requirements, it includes an estimate of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty is resolved. For contracts with multiple performance obligations, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company generally determines standalone selling prices based on the prices charged to customers or by using expected cost plus a reasonable margin.

The Company typically satisfies its performance obligations over time as the services are provided. A time-elapsed output method is used to measure progress because the nature of the Company's promise is a stand-ready service and efforts are expended evenly throughout the period. In limited circumstances, such as contracts for implementation or development projects, the Company also uses a cost-to-cost based input method. The Company has determined that the above methods provide a faithful depiction of the transfer of services to the customer.

Estimates of revenue expected to be recognized in future periods exclude unexercised customer options to purchase additional services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for when the customer exercises its option to purchase additional goods or services. The Company recognizes revenue for non-refundable upfront implementation fees on a straight-line basis over the period between the initiation of the services through the end of the contract term.

When more than one party is involved in providing services to a customer, the Company evaluates whether it is the principal, and reports revenue on a gross basis, or an agent, and reports revenue on a net basis. In this assessment, the Company considers the following: if it obtains control of the specified services before they are transferred to the customer; is primarily responsible for fulfillment and inventory risk; and has discretion in establishing price.

The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The primary revenue-based taxes are sales tax and value-added tax (VAT).

The Company's payment terms vary by type of services offered. The time between invoicing and when payment is due is not significant. For certain services and customer types, the Company requires payment before services are rendered.

From time to time, the Company's contracts are modified to account for additions or changes to existing performance obligations. The Company's contract modifications related to stand-ready performance obligations are generally accounted for prospectively.

Refer to Note 2 – Revenue for further discussion.

Note 2 – Revenue

Disaggregation of Revenue

The following table provides information about disaggregated revenue by major service offering, the timing of revenue recognition and a reconciliation of the disaggregated revenue by reportable segments. Refer to Note 3 – Segment Reporting for additional information on the Company's reportable segments.

(in millions)	Year Ended December 31,		
	2021	2020	2019
Commercial Industries:			
Customer experience management	\$ 629	\$ 648	\$ 669
Business operations solutions	567	566	632
Commercial healthcare solutions	435	431	482
Human resource and learning services	445	518	602
Total Commercial Industries	2,076	2,163	2,385
Government Services:			
Government healthcare solutions	576	603	675
Government services solutions	742	678	588
Total Government Services	1,318	1,281	1,263
Transportation:			
Roadway charging & management services	327	318	327
Transit solutions	262	248	254
Curbside management solutions	82	72	107
Public safety solutions	67	73	83
Commercial vehicles	8	8	10
Total Transportation	746	719	781
Other:			
Divestitures	—	—	36
Education	—	—	2
Total Other	—	—	38
Total Consolidated Revenue	\$ 4,140	\$ 4,163	\$ 4,467
Timing of Revenue Recognition:			
Point in time	\$ 111	\$ 110	\$ 144
Over time	4,029	4,053	4,323
Total Revenue	\$ 4,140	\$ 4,163	\$ 4,467

The Company's contracts with customers are broadly similar in nature throughout the Company's major service offerings. The following is a description of the major service offerings:

Customer Experience Management: The Company offers a range of services that help its clients support their end-users. This includes in-bound and out-bound call support for both simple and complex transactions, technical support and patient assistance. The Company also provides multi-channel communication support (both print and digital) across a range of industries.

Business Operations Solutions: The Company helps its clients improve communications with their customers and constituents, whether it is on paper, online or through other communication channels. The Company also offers a broad array of flexible transaction processing services that include data entry, scanning, image processing, enrollment processing, claims processing, high volume offsite print and mail services and file indexing. The Company serves clients by managing their critical finance, accounting and procurement processes. These services include general accounting and reporting, billing and accounts receivable and purchasing, accounts payable and expense management services. The Company also offers wholesale and retail lockbox services and process auto and mortgage loans in the United States.

Commercial Healthcare Solutions: The Company delivers administration, clinical support and medical management solutions across the health ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experience for members and patients. The Company's solutions span: trials, sales, access, and adherence to pharmaceutical clients; case management, performance management and patient safety for hospital clients; medical bill review, claim processing, care integration, subrogation and payment integrity solutions to managed care companies; and workers compensation medical bill review, mailroom/data capture and medical management services to claims payers and third-party administrators.

Human Resource and Learning Services: The Company helps its clients support their employees at all stages of employment from initial on-boarding through retirement. The Company delivers mission-critical, technology-enabled HR services and solutions that improve business processes across the employee journey to maximize business performance, while increasing employee satisfaction, engagement and overall well-being. These solutions span health, benefits, payroll, onboarding and learning administration, annual enrollment, wealth & retirement, HR, talent, and workforce management.

Government Healthcare Solutions: The Company provides medical management and fiscal agent care management services, eligibility and enrollment services and support to Medicaid programs and federally funded U.S. government healthcare programs. The Company's services include a range of innovative solutions such as Medicaid management, provider services, Medicaid business intelligence, pharmacy benefits management, eligibility and enrollment support, contract center services, application processing, premium billing, disease surveillance and outbreak management and case management solutions.

Government Services Solutions: The Company is a leader in government payment disbursements for federally sponsored programs like SNAP, commonly known as food stamps and WIC as well as government-initiated cash disbursements such as child support and unemployment benefits.

Roadway Charging & Management Services: The Company's electronic tolling, urban congestion management and mileage-based user solutions help clients keep up with an ever-changing environment and get more travelers where they need to go while generating revenue for much-needed infrastructure improvements. The Company's solutions include vehicle passenger detection systems, electronic toll collection, automated license plate recognition and congestion management solutions.

Transit Solutions: The Company aims to make journeys more personalized and convenient while increasing capacity and profitability for authorities and agencies. The Company combines the latest in fare collection and intelligent mobility so that clients can get the added efficiency of having a single point of contact for all their transit solutions.

Curbside Management Solutions: The Company delivers intelligent curbside management systems that simplify parking programs and deliver convenient and hassle-free experience for drivers. The Company's curbside solutions include citation and permit administration, parking enforcement and curbside demand management.

Public Safety Solutions: The Company provides data analytics, automated photo enforcement and other public safety solutions to make streets and communities safer. Photo enforcement systems include red light, fixed and mobile speed, school bus, work zone, school zone, bus lane only, high occupancy and other forms of photo enforcement systems.

Commercial Vehicles: The Company provides computer-aided dispatch/automatic vehicle location technology to help customers manage their fleet operations.

Contract Balances

The Company receives payments from customers based upon contractual billing schedules. Accounts receivable are recorded when the right to consideration becomes unconditional. Contract assets are the Company's rights to consideration for services provided when the right is conditioned on something other than passage of time (for example, meeting a milestone for the right to bill under the cost-to-cost measure of progress). Contract assets are transferred to Accounts receivable, net when the rights to consideration become unconditional. Unearned income includes payments received in advance of performance under the contract, which are realized when the associated revenue is recognized under the contract.

The following table provides information about the balances of the Company's contract assets, unearned income and receivables from contracts with customers:

(in millions)	December 31, 2021	December 31, 2020
Contract Assets (Unearned Income)		
Current contract assets	\$ 154	\$ 151
Long-term contract assets ⁽¹⁾	8	13
Current unearned income	(82)	(133)
Long-term unearned income ⁽²⁾	(48)	(29)
Net Contract Assets	\$ 32	\$ 2
Accounts receivable, net	\$ 699	\$ 670

(1) Presented in Other long-term assets in the Consolidated Balance Sheets

(2) Presented in Other long-term liabilities in the Consolidated Balance Sheets

Revenues of \$107 million and \$101 million were recognized during the years ended December 31, 2021 and 2020, respectively, related to the Company's unearned income at December 31, 2020 and December 31, 2019. The Company had no material asset impairment charges related to contract assets for the year ended December 31, 2021.

Transaction Price Allocated to the Remaining Performance Obligations

Estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied at December 31, 2021, was approximately \$1.2 billion. The Company expects to recognize approximately 76% of this revenue over the next 2 years and the remainder thereafter.

Costs to Obtain and Fulfill a Contract

The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. The net book value of these costs, which was \$25 million and \$23 million as of December 31, 2021 and 2020, respectively, are included in Other long-term assets. The judgments made in determining the amount of costs incurred include whether the commissions are incremental and directly related to a successful acquisition of a customer contract. These costs are amortized in Depreciation and amortization over the term of the contract or the estimated life of the customer relationship, if renewals are expected and the renewal commission is not commensurate with the initial commission. The Company expenses sales commissions when incurred if the amortization period of the sales commission is one year or less.

In addition, the Company may provide inducement payments to secure customer contracts. These inducement payments are capitalized and amortized as a reduction of revenue over the term of the customer contract. The net book value of these costs totaled \$19 million and \$21 million as of December 31, 2021 and 2020, respectively, and are included in Other long-term assets.

Also, the Company capitalizes costs incurred to fulfill its contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. The net book value of

these costs, which comprise set-up/transition activities, was \$29 million and \$32 million as of December 31, 2021 and 2020, respectively, and are classified in Other long-term assets on the Consolidated Balance Sheets. Contract fulfillment costs are expensed to Depreciation and amortization as the Company satisfies its performance obligations by transferring the service to the customer. These costs are amortized on a systematic basis over the expected period of benefit.

These costs are periodically reviewed for impairment.

The amortization of costs incurred to obtain and fulfill a contract, excluding contract inducements, for the years ended December 31, 2021, 2020 and 2019, were \$39 million, \$41 million and \$42 million, respectively.

The expected amortization expense for the next five years and thereafter for these costs is as follows:

2022	2023	2024	2025	2026	Thereafter
\$ 25	\$ 15	\$ 8	\$ 5	\$ 3	\$ 17

Note 3 – Segment Reporting

The Company's reportable segments correspond to how it organizes and manages the business, as defined by the Company's Chief Executive Officer, who is also its Chief Operating Decision Maker (CODM), and are aligned to the industries in which the Company's clients operate. The Company's segments involve the delivery of business process services and include service arrangements where it manages a customer's business activity or process.

In 2020, the Company realigned its sales organization and certain shared IT and other allocated functions and reallocated certain costs that were previously included in the Shared IT/Infrastructure and Corporate Costs (now referred to as Unallocated Costs) to each of the reportable segments. The year ended December 31, 2019 amounts have been recast to reflect these changes.

The Company's financial performance is based on Segment Profit/(Loss) for its three reportable segments (Commercial Industries, Government Services and Transportation), Other and Unallocated Costs. The Company's CODM does not evaluate operating segments using discrete asset information.

- **Commercial Industries:** The Commercial Industries segment provides business process services and customized solutions to clients in a variety of industries. Across the Commercial Industries segment, the Company operates on its clients' behalf to deliver mission-critical solutions and services to reduce costs, improve efficiencies and enable revenue growth for the Company's clients and their consumers and employees.
- **Government Services:** The Government Services segment provides government-centric business process services to U.S. federal, state and local and foreign governments for public assistance program administration, transaction processing and payment services. The solutions in this segment help governments respond to changing rules for eligibility and increasing citizen expectations.
- **Transportation:** The Transportation segment provides systems and support, as well as revenue-generating services, to government clients. On behalf of government agencies and authorities in the transportation industry, the Company delivers mission-critical mobility and payment solutions that improve automation, interoperability and decision-making to streamline operations, increase revenue and reduce congestion while creating safer communities and seamless travel experiences for consumers.

Other includes the Company's divestitures and the Student Loan business, which the Company exited in the third quarter of 2018.

Unallocated Costs includes IT infrastructure costs that are shared by multiple reportable segments, enterprise application costs and certain corporate overhead expenses not directly attributable or allocated to the reportable segments.

Selected financial information for our reportable segments was as follows:

(in millions)	Year Ended December 31,						
	Commercial Industries	Government Services	Transportation	Other		Unallocated Costs	Total
				Divestitures	Other		
2021							
Revenue	\$ 2,076	\$ 1,318	\$ 746	\$ —	\$ —	\$ —	\$ 4,140
Segment profit (loss)	\$ 137	\$ 412	\$ 75	\$ —	\$ 1	\$ (388)	\$ 237
2020							
Revenue	\$ 2,163	\$ 1,281	\$ 719	\$ —	\$ —	\$ —	\$ 4,163
Segment profit (loss)	\$ 150	\$ 372	\$ 82	\$ —	\$ 9	\$ (348)	\$ 265
2019							
Revenue	\$ 2,385	\$ 1,263	\$ 781	\$ 36	\$ 2	\$ —	\$ 4,467
Segment profit (loss)	\$ 270	\$ 279	\$ 69	\$ 1	\$ (1)	\$ (345)	\$ 273

The following is a reconciliation of segment profit (loss) to income (loss) before income taxes:

(in millions)	Year Ended December 31,		
Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)	2021	2020	2019
Loss Before Income Taxes	\$ (25)	\$ (139)	\$ (2,106)
Reconciling items:			
Amortization of acquired intangible assets	135	239	246
Restructuring and related costs	45	67	71
Interest expense	55	60	78
Loss on extinguishment of debt	15	—	—
Goodwill impairment	—	—	1,952
Loss on divestitures and transaction costs	3	17	25
Litigation costs, net	3	20	17
Other (income) expenses, net	6	1	(10)
Segment Profit (Loss)	\$ 237	\$ 265	\$ 273

Geographic area data is based upon the location of the subsidiary reporting the revenue or long-lived assets and is as follows for each of the years ended December 31:

(in millions)	Revenues			Long-Lived Assets ⁽¹⁾	
	2021	2020	2019	2021	2020
United States	\$ 3,712	\$ 3,748	\$ 4,000	\$ 651	\$ 628
Europe	368	357	386	39	44
Other areas	60	58	81	96	114
Total Revenues and Long-Lived Assets	\$ 4,140	\$ 4,163	\$ 4,467	\$ 786	\$ 786

(1) Long-lived assets are comprised of (i) Land, buildings and equipment, net, (ii) Internal use software, net, (iii) Product software, net and (iv) Operating lease right-of-use assets.

Note 4 – Assets/Liabilities Held for Sale and Divestiture

Assets/Liabilities Held for Sale

On December 29, 2021, the Company signed a definitive agreement to sell its Midas Suite of patient safety, quality and advanced analytics solutions to Symplr Software, Inc. (the Buyer), a third party. The transaction closed on February 8, 2022 for cash consideration of \$321 million subject to customary working capital adjustments. This action was taken because of the Company's strategy to streamline its portfolio and its consideration of divestitures of select businesses to enhance shareholder and client value. The assets and liabilities of this portfolio, collectively referred to as the Disposal Group, have been reclassified as held for sale and measured at the lower of carrying value or fair value less costs to sell. The Disposal Group is currently reported in the Commercial Industries segment. The pretax profit of the Disposal Group, excluding unallocated costs, was \$30 million, \$31 million and \$33 million for the years ended December 31, 2021, 2020 and 2019, respectively. As the consideration for the Disposal Group is greater than the carrying value, the Company will record a gain on the sale of the Midas business in the first quarter of 2022.

The following is a summary of the major categories of assets and liabilities that have been reclassified as held for sale:

(in millions)	December 31, 2021
Accounts Receivable, net	\$ 9
Other current assets	1
Product Software, net	10
Goodwill	162
Other long-term assets	2
Total Assets held for sale	\$ 184
Accounts payable	\$ 1
Accrued compensation and benefits costs	3
Unearned income	24
Other current liabilities	1
Total Liabilities held for sale	\$ 29

Divestiture

In February 2019, the Company completed the sale of a portfolio of select standalone customer care contracts to Skyview Capital LLC. During 2019, the Company recorded additional losses and transaction costs of \$17 million on the sale of this portfolio, reflecting certain changes in estimates that were made when recording the initial charge in 2018. The revenue generated from this business was \$36 million for the three months ended March 31, 2019.

Note 5 – Accounts Receivable, Net

The Accounts receivable, net balance of \$699 million and \$670 million at December 31, 2021 and 2020, respectively, included allowance for doubtful accounts of \$0 million and \$2 million at December 31, 2021 and 2020, respectively.

The Company enters into factoring agreements in the normal course of business as part of our cash and liquidity management, to sell certain accounts receivable without recourse to third-party financial institutions. These transactions are treated as a sale and are accounted for as a reduction in accounts receivable because the agreements transfer effective control over, and risk related to, the receivables to the buyers. Cash proceeds from these arrangements are included in cash flow from operating activities in the Consolidated Statements of Cash Flows.

Accounts receivable sales for the years ended December 31, 2021 and 2020 were \$422 million and \$529 million, respectively.

Note 6 - Land, Buildings, Equipment and Software, Net

Land, buildings and equipment, net was as follows:

(in millions except as noted)	Estimated Useful Lives	December 31,	
	(Years)	2021	2020
Land		\$ 1	\$ 1
Building and building equipment	25 to 50	7	7
Leasehold improvements	Varies	250	268
IT, other equipment and office furniture	3 to 15	883	869
Other	4 to 20	3	2
Construction in progress		49	35
Subtotal		1,193	1,182
Accumulated depreciation		(912)	(877)
Land, Buildings and Equipment, Net		\$ 281	\$ 305

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$116 million, \$125 million and \$123 million, respectively.

Internal Use and Product Software

Internal use and Product software are included in Other long-term assets on the Company's Consolidated Balance Sheets. Additions to Internal use and Product software as well as year-end balances for these assets were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
<u>Additions to:</u>			
Internal use software	\$ 65	\$ 63	\$ 70
Product software	45	36	9
(in millions)	December 31,		
	2021	2020	
Internal use software, at cost	\$ 563	\$ 524	
Accumulated amortization	(382)	(361)	
Internal use software, net	<u>\$ 181</u>	<u>\$ 163</u>	
Product software, at cost	\$ 171	\$ 144	
Accumulated amortization	(78)	(72)	
Product software, net	<u>\$ 93</u>	<u>\$ 72</u>	

Useful lives of our Internal use and Product software generally vary from one to seven years. Amortization expense for Internal use and Product software for the years ended December 31, 2021, 2020 and 2019 was \$62 million, \$54 million and \$48 million, respectively.

Cloud Computing Arrangements

Cloud computing implementation costs are included in Other current assets and Other long-term assets on the Company's Consolidated Balance Sheets. Additions to Cloud computing implementation costs as well as year-end balances for these assets were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
<u>Additions to:</u>			
Cloud computing implementation costs	\$ 6	\$ 3	\$ 39
(in millions)	December 31,		
	2021	2020	
<u>Capitalized Costs, Net</u>			
Cloud computing implementation costs, at cost	\$ 53	\$ 47	
Impairment charges	(28)	—	
Accumulated amortization	(11)	(6)	
Cloud computing implementation costs, net ⁽¹⁾	<u>\$ 14</u>	<u>\$ 41</u>	

(1) Refer to Note 10 – Supplementary Financial Information for additional information on the current and long-term portions of this asset.

Useful lives of Cloud computing implementation costs are three to five years. Amortization expense for Cloud computing implementation costs for the years ended December 31, 2021, 2020 and 2019 were \$2 million, \$4 million and \$2 million, respectively. As a result of the Company's decision in the fourth quarter of 2021 to abandon an internal project, the Company wrote-off \$28 million of its previously capitalized implementation costs. Additionally, in connection with the abandonment of this project, the Company accrued \$4 million of charges related to remaining hosting fees that would have continued to be incurred without any economic benefit. The write-off and remaining hosting fee charges are included in Selling, general and administrative on the Consolidated Statements of Income (Loss).

Note 7 - Leases

The Company adopted the new lease guidance as of January 1, 2019, using the cumulative-effect adjustment transition method, which applies the provisions of the standard at the effective date without adjusting the comparative periods presented. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are, or contain, leases, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any existing leases as of the adoption date. The Company did not elect to apply the hindsight practical expedient. Additionally, the Company has elected not to include short-term leases, with a term of 12 months or less, on its Consolidated Balance Sheets.

The components of lease costs were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Finance Lease Costs:			
Amortization of right of use assets	\$ 10	\$ 8	\$ 10
Interest on lease liabilities	1	1	1
Total Finance Lease Costs	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 11</u>
Operating lease costs:			
Base rent	\$ 85	\$ 95	\$ 112
Short-term lease costs	4	5	12
Variable lease costs ⁽¹⁾	23	26	30
Sublease income	(1)	(3)	(7)
Total Operating Lease Costs	<u>\$ 111</u>	<u>\$ 123</u>	<u>\$ 147</u>

(1) Primarily related to taxes, insurance and common area and other maintenance costs for real estate leases.

Supplemental cash flow information related to leases was as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Cash paid for the amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 99	\$ 117	\$ 137
Operating cash flows from finance leases	1	1	1
Total Cash Flow from Operating Activities	<u>\$ 100</u>	<u>\$ 118</u>	<u>\$ 138</u>
Financing cash flow from finance leases	\$ 9	\$ 11	\$ 11
Supplemental non-cash information on right of use assets obtained in exchange for new lease obligations:			
Operating leases	\$ 68	\$ 73	\$ 32
Finance leases	\$ 5	\$ 14	\$ 2

Supplemental balance sheet information related to leases was as follows:

(in millions)	December 31,	
	2021	2020
Operating lease assets:		
Operating lease right-of-use assets	\$ 231	\$ 246
Operating lease liabilities:		
Other current liabilities	\$ 71	\$ 81
Operating lease liabilities	184	207
Total Operating Lease Liabilities	<u>\$ 255</u>	<u>\$ 288</u>
Finance lease assets:		
Land, buildings and equipment, net	\$ 17	\$ 19
Finance lease liabilities:		
Current portion of long-term debt	\$ 8	\$ 8
Long-term debt	8	12
Total Finance Lease Liabilities	<u>\$ 16</u>	<u>\$ 20</u>

The Company's leases generally do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate as the discount rate when measuring lease liabilities. The incremental borrowing rate represents an estimate of the interest rate that the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular currency environment.

The weighted average discount rates and weighted average remaining lease terms for operating and finance leases as of December 31, 2021 and 2020 were as follows:

	December 31, 2021		December 31, 2020	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average discount rates	5.8 %	5.0 %	6.1 %	5.3 %
Weighted average remaining lease term (in years)	5	3	5	3

Maturities of operating and finance lease liabilities as of December 31, 2021 were as follows:

(in millions)	December 31, 2021	
	Operating Lease Payments	Finance Lease Payments
2022	\$ 84	\$ 8
2023	60	5
2024	47	2
2025	37	2
2026	28	—
Thereafter	36	—
Total undiscounted lease payments	292	17
Less imputed interest	37	1
Present value of lease liabilities	<u>\$ 255</u>	<u>\$ 16</u>

As of December 31, 2021, the Company had entered into an additional operating lease agreement for real estate of \$6 million, which has not commenced and has not been recognized on the Company's Consolidated Balance Sheet. This operating lease is expected to commence in 2022 with a lease term of 5 years.

Note 8 - Goodwill and Intangible Assets, Net

Goodwill

The following table presents the changes in the carrying amount of goodwill, by reportable segment:

(in millions)	Commercial Industries	Government Services	Transportation	Total
Balance at December 31, 2019	\$ 821	\$ 621	\$ 60	\$ 1,502
Foreign currency translation	16	2	8	26
Balance at December 31, 2020	\$ 837	\$ 623	\$ 68	\$ 1,528
Foreign currency translation	(14)	(6)	(7)	(27)
Assets Held For Sale	(162)	—	—	(162)
Balance at December 31, 2021	\$ 661	\$ 617	\$ 61	\$ 1,339
Gross goodwill	\$ 2,214	\$ 1,371	\$ 641	\$ 4,226
Accumulated impairment	(1,553)	(754)	(580)	(2,887)
Balance at December 31, 2021	\$ 661	\$ 617	\$ 61	\$ 1,339

The Company performed its annual goodwill impairment test for the year ended December 31, 2021 as of October 1, 2021. This testing did not identify any goodwill impairment and, accordingly, no impairment charge was recorded.

To the extent the COVID-19 pandemic continues to disrupt the economic environment, such as a decline in the performance of the reporting units or loss of a significant contract or multiple significant contracts, the fair value of one or more of the reporting units could fall below their carrying value, resulting in a goodwill impairment charge.

2019 Goodwill Impairment Charge

In the first quarter of 2019, the Transportation reporting unit experienced unanticipated losses of certain customer contracts, lower than expected new customer contracts and higher costs of delivery, and as a result, the growth of this reporting unit decreased resulting in its fair value being below its carrying value by an estimated \$284 million. Accordingly, the Company recorded a pre-tax impairment charge of \$284 million for the three months ended March 31, 2019.

In the second quarter of 2019, there were further unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts. This led to actual results being below budget and a further downward revision of the long-term forecast across all the Company's reporting units. Because of the business performance and the strategy pivot due to changes in management that occurred in the second quarter of 2019, the Company performed an interim goodwill impairment assessment for all its reporting units which resulted in a pre-tax impairment charge of \$1.1 billion for the three months ended June 30, 2019.

As of December 31, 2019, the Company performed an interim impairment assessment due to a triggering event caused by further unanticipated contract losses within the Government Services reporting unit, and as result, management performed a goodwill impairment assessment for this reporting unit as of December 31, 2019, which resulted in a pre-tax impairment charge of \$512 million.

In addition, in the fourth quarter of 2019, the Company recorded an immaterial correction to the impairment charges recorded in the first and second quarters to properly reflect the impact of tax-deductible goodwill on the previous impairments as well as the related income tax benefit. The cumulative impairment charge for the year ended December 31, 2019 was approximately \$2.0 billion.

Intangible Assets, Net

Net intangible assets were \$52 million at December 31, 2021 of which \$50 million, \$2 million and \$0 million relate to our Commercial Industries, Government Services and Transportation segments, respectively. Intangible assets were comprised exclusively of Customer relationships as follows:

(in millions, except years)	Weighted Average Amortization	December 31, 2021			December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Total Intangible Assets	12 years	<u>\$ 1,658</u>	<u>\$ 1,606</u>	<u>\$ 52</u>	<u>\$ 2,890</u>	<u>\$ 2,703</u>	<u>\$ 187</u>

Amortization expense related to intangible assets was \$135 million, \$239 million and \$246 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization expense is expected to approximate \$12 million in 2022, \$7 million in 2023, \$6 million in 2024, \$4 million in 2025 and \$4 million in 2026.

Note 9 – Restructuring Programs and Related Costs

The Company engages in a series of restructuring programs related to downsizing its employee base, exiting certain activities, outsourcing certain internal functions and engaging in other actions designed to reduce its cost structure and improve productivity. The implementation of the Company's operational efficiency improvement initiatives has reduced the Company's real estate footprint across all geographies and segments resulting in lease right-of-use asset impairments and other related costs. Also included in Restructuring and Related Costs are incremental, non-recurring costs related to the consolidation of the Company's data centers, which totaled \$23 million, \$23 million and \$21 million for the years ended December 31, 2021, 2020 and 2019, respectively. Management continues to evaluate the Company's business and, in the future, there may be additional provisions for new plan initiatives and/or changes in previously recorded estimates as payments are made, or actions are completed.

Costs associated with restructuring, including employee severance and lease termination costs, are generally recognized when it has been determined that a liability has been incurred, which is generally upon communication to the affected employees or exit from the leased facility. In those geographies where we have either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, we recognize employee severance costs when they are both probable and reasonably estimable. Asset impairment costs related to the reduction of our real estate footprint include impairment of operating lease right-of-use (ROU) assets and associated leasehold improvements.

A summary of the Company's restructuring program activity during the two years ended December 31, 2021 is as follows:

(in millions)	Severance and Related Costs	Termination and Other Costs	Asset Impairments	Total
Balance at December 31, 2019	\$ 15	\$ 6	\$ —	\$ 21
Provision	13	27	15	55
Changes in estimates	1	3	—	4
Total Net Current Period Charges ⁽¹⁾	14	30	15	59
Charges against reserve and currency	(26)	(33)	(15)	(74)
Balance at December 31, 2020	\$ 3	\$ 3	\$ —	\$ 6
Provision	8	27	9	44
Changes in estimates	—	(3)	—	(3)
Total Net Current Period Charges ⁽¹⁾	8	24	9	41
Charges against reserve and currency	(6)	(26)	(9)	(41)
Balance at December 30, 2021	\$ 5	\$ 1	\$ —	\$ 6

(1) Represents amounts recognized within the Consolidated Statements of Income (Loss) for the years shown.

We also recorded costs related to professional support services associated with the implementation of certain strategic transformation programs of \$4 million, \$8 million and \$4 million during the years ended December 31, 2021, 2020 and 2019, respectively.

The following table summarizes the total amount of costs incurred in connection with these restructuring programs by reportable and non-reportable segments:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Commercial Industries	\$ 4	\$ 11	\$ 24
Government Services	1	1	1
Transportation	1	2	2
Unallocated Costs	35	45	40
Total Net Restructuring Charges	\$ 41	\$ 59	\$ 67

Note 10 – Supplementary Financial Information

The components of Other assets and liabilities were as follows:

(in millions)	December 31,	
	2021	2020
Other Current Assets		
Prepaid expenses	\$ 84	\$ 73
Income taxes receivable	46	48
Value-added tax (VAT) receivable	12	21
Restricted cash	5	8
Cloud computing implementation costs, net	6	8
Other	75	148
Total Other Current Assets	\$ 228	\$ 306
Other Current Liabilities		
Accrued liabilities	\$ 246	\$ 229
Litigation related accruals	64	73
Operating lease liabilities	71	81
Restructuring liabilities	6	1
Income tax payable	10	16
Other taxes payable	14	16
Accrued interest	10	3
Other	22	31
Total Other Current Liabilities	\$ 443	\$ 450
Other Long-term Assets		
Internal use software, net	\$ 181	\$ 163
Deferred contract costs, net ⁽²⁾	73	76
Product software, net	93	72
Cloud computing implementation costs, net	8	33
Other	98	69
Total Other Long-term Assets	\$ 453	\$ 413
Other Long-term Liabilities		
Deferred payroll tax related to the CARES Act ⁽¹⁾	\$ —	\$ 24
Income tax liabilities	15	15
Unearned income	48	29
Restructuring liabilities	—	5
Other	32	35
Total Other Long-term Liabilities	\$ 95	\$ 108

(1) The CARES Act allows for deferred payment of the employer-paid portion of social security taxes through the end of 2020, with 50% due on December 31, 2021 (and which the Company paid in December 2021) and the remainder due on December 31, 2022. As of December 31, 2021, the remaining portion of this liability is classified as current and is included in Accrued compensation and benefits costs.

(2) Represents capitalized costs associated with obtaining or fulfilling a contract with a customer. The balances at December 31, 2021 and 2020 are expected to be amortized over a weighted average remaining life of approximately 12 and 11 years, respectively. See Note 2 – Revenue for more information.

Note 11 – Debt

The Company classifies its debt based on the contractual maturity dates of the underlying debt instruments. The Company defers costs associated with debt issuance over the applicable term. These costs are amortized as interest expense in the Consolidated Statements of Income (Loss).

Long-term debt was as follows:

(in millions)	Weighted Average Interest Rates at December 31, 2021 ⁽¹⁾	December 31,	
		2021	2020
2021 Term loan A due 2026	3.10 %	\$ 265	\$ —
2021 Term loan B due 2028	5.00 %	515	—
2021 Senior notes due 2029	6.04 %	520	—
2021 Revolving credit facility maturing 2026	2.58 %	100	—
2016 Term loan A due 2022		—	654
2016 Term loan B due 2023		—	816
2016 Senior notes due 2024		—	34
Finance lease obligations	5.01 %	16	20
Other	3.98 %	24	4
Principal Debt Balance		\$ 1,440	\$ 1,528
Debt issuance costs and unamortized discounts		(27)	(18)
Less: current maturities		(30)	(90)
Total Long-term Debt		\$ 1,383	\$ 1,420

(1) Represents weighted average effective interest rate which includes the effect of discounts and debt issuance costs on issued debt.

Scheduled principal payments due on long-term debt for the next five years are as follows:

2022	2023	2024	2025	2026	Thereafter	Total
\$ 30	\$ 27	\$ 24	\$ 23	\$ 327	\$ 1,009	\$ 1,440

2016 Credit Facilities

On December 7, 2016, the Company entered into a senior secured credit agreement among the Company, its subsidiaries: Conduent Business Services, LLC (CBS), Affiliated Computer Services International B.V. and Conduent Finance, Inc. (CFI), the lenders party thereto and JP Morgan Chase Bank, N.A., as the administrative agent (2016 Credit Agreement). The 2016 Credit Agreement contains senior secured credit facilities (2016 Senior Credit Facilities) consisting of:

- (i) Senior Secured Term Loan A (2016 Term Loan A) with an aggregate principal amount of \$700 million;
- (ii) Senior Secured Term Loan B (2016 Term Loan B) with an aggregate principal amount of \$850 million; and
- (iii) Senior Revolving Credit Facility (2016 Revolving Credit Facility) with an aggregate available amount of \$750 million including a sub-limit for up to \$300 million available for the issuance of letters of credit.

During the first quarter of 2020, the Company borrowed \$150 million of its \$750 million 2016 Revolving Credit Facility, which was subsequently fully repaid in December 2020.

2016 Senior Notes

On December 7, 2016, the Company issued 10.5% senior secured note (2016 Senior Notes). The 2016 Senior Notes were jointly and severally guaranteed on a senior unsecured basis by the Company and each of the existing and future domestic subsidiaries of CFI or CBS that guaranteed the obligations under the 2016 Senior Credit Facilities.

Interest was payable semi-annually. The entire remaining \$34 million outstanding principal amount of 2016 Senior Notes was redeemed on May 1, 2021. Additionally, the Company wrote-off debt issuance costs and discounts

related to the 2016 Senior Notes of \$2 million which is included in Loss on extinguishment of debt in the Consolidated Statements of Income (Loss) for the year ended December 31, 2021.

2021 Credit Facilities

On October 15, 2021, the Company refinanced its 2016 Senior Credit Facilities by entering into a new senior secured credit agreement among the Company, its subsidiaries CBS, Conduent State & Local Solutions, Inc. (CSLS) and Affiliated Computer Services International B.V., the lenders party thereto and Bank of America, N.A., as the administrative agent (2021 Credit Agreement). The 2021 Credit Agreement contains senior secured credit facilities (2021 Senior Credit Facilities) consisting of:

- (i) Senior Secured Term Loan A (2021 Term Loan A) with an aggregate principal amount of \$265 million;
- (ii) Senior Secured Term Loan B (2021 Term Loan B) with an aggregate principal amount of \$515 million; and
- (iii) Senior Revolving Credit Facility maturing 2026 (2021 Revolving Credit Facility) with an aggregate available amount of \$550 million including a sub-limit for up to \$300 million available for the issuance of letters of credit.

As of December 31, 2021, the Company has borrowed \$100 million of its \$550 million 2021 Revolving Credit Facility and utilized \$20 million of its revolving credit facility capacity to issue letters of credit. The net amount available to be drawn upon under the 2021 Revolving Credit Facility as of December 31, 2021, was \$430 million.

The 2021 Credit Agreement permits the Company to request incremental term loan borrowings and /or increase commitments, subject to certain limitations and satisfaction of certain conditions.

Borrowings under the 2021 Term Loan A, the 2021 Term Loan B and the 2021 Revolving Credit Facility bear interest, at the Issuers' option, at a rate per annum equal to an applicable margin over a base rate or a Eurocurrency rate, depending on the type of loan. The applicable margin for the 2021 Term Loan A and the 2021 Revolving Credit Facility for Eurocurrency loans range from 1.75% to 2.75% per annum, depending on certain leverage ratios and for base rate loans range from 0.75% to 1.75% per annum. The margin at December 31, 2021 was 2.25%. The applicable margin for the 2021 Term Loan B for Eurocurrency loans is 4.25% per annum and for base rate loans is 3.25% per annum. The margin at December 31, 2021 was 4.25%. In addition to paying interest on outstanding principal under the 2021 Revolving Credit Facility, the Company is required to pay a commitment fee of 0.4% per annum to the lenders in respect of unutilized commitments thereunder. Under the terms of the 2021 Credit Agreement, in the event there is a benchmark transition, the Eurocurrency rate will reference the benchmark replacement rate as defined in the 2021 Credit Agreement. The Company does not anticipate this transition will have any material impact on its consolidated financial statements.

All obligations under the 2021 Credit Agreement are unconditionally guaranteed by the Company, CBS and CSLS, and the existing and future direct and indirect wholly owned domestic restricted subsidiaries of CBS (subject to certain exceptions). All obligations under the 2021 Credit Agreement are secured, subject to certain exceptions, by a first-priority pledge of substantially all assets of CBS and the subsidiary guarantors, and all of the capital stock of CBS and each of CBS' wholly owned material restricted subsidiaries directly held by CBS and CSLS or a subsidiary guarantor (which pledges, in the case of any foreign subsidiary, are limited to 65% of the capital stock of any first-tier foreign subsidiary).

The 2021 Credit Agreement contains certain customary affirmative and negative covenants, restrictions, prepayment terms and events of default. It requires the consolidated first lien net leverage ratio not to exceed 3.50 to 1.00. This covenant applies to the 2021 Term Loan A and 2021 Revolving Credit Facility. The covenant is tested on the last day of any fiscal quarter commencing with the first full fiscal quarter after the closing date. Therefore the first time the test will be performed is as of March 31, 2022.

2021 Senior Notes

Concurrent with the 2021 Credit Agreement, on October 15, 2021, CBS and CSLS (collectively, the Issuers) issued 6.00% fixed rate senior notes due 2029 (2021 Senior Notes). The 2021 Senior Notes are guaranteed on a senior secured basis by the Company and existing and future material direct and indirect wholly owned domestic subsidiaries of CBS that guaranteed the obligations under the 2021 Senior Credit Facilities.

Interest is payable semi-annually. Prior to November 1, 2024, the Issuers can redeem the 2021 Senior Notes, in whole or in part, at a price equal to the principal amount of the 2021 Senior Notes, plus a make-whole premium plus accrued and unpaid interest. The Issuers can redeem the 2021 Senior Notes, in whole or in part, at any time on or after November 1, 2024, at the redemption prices specified in the Indenture, plus accrued and unpaid interest, if any, up to but excluding the redemption date. In addition, the Company may be required to make an offer to purchase the notes upon the sale of certain assets and upon a change of control. No 2021 Senior Notes were redeemed between October 15, 2021 and December 31, 2021.

Debt Issuance Costs and Discount

In connection with the refinancing, the Company recorded deferred discounts and debt issuance costs of \$30 million. Additionally, the Company wrote-off debt issuance costs and discounts related to the 2016 Senior Credit Facilities of \$13 million which is included in Loss on extinguishment of debt in the Consolidated Statements of Income (Loss) for the year ended December 31, 2021.

Use of Proceeds

The net proceeds of the 2021 Senior Credit Facilities and the 2021 Senior Notes were used to refinance entirely the balance of borrowings outstanding under the 2016 Senior Credit Facilities on the Closing Date and to pay related fees and expenses.

Interest

Interest paid on short-term and long-term debt amounted to \$40 million, \$51 million, \$69 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Interest expense and interest income were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Interest expense	\$ 55	\$ 60	\$ 78
Interest income ⁽¹⁾	1	2	6

⁽¹⁾ Included in Other (income) expenses, net on the Consolidated Statements of Income (Loss).

Note 12 – Financial Instruments

The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. The Company manages its exposure to these market risks through regular operating and financing activities and, when appropriate, using derivative financial instruments. These derivative financial instruments are utilized to hedge economic exposures, as well as to reduce earnings and cash flow volatility resulting from shifts in market rates. The Company enters limited types of derivative contracts to manage foreign currency exposures that it hedges. The primary foreign currency market exposures include the Philippine Peso and Indian Rupee. The fair market values of all the Company's derivative contracts change with fluctuations in interest rates or currency exchange rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. Derivative financial instruments are held solely as risk management tools and not for trading or speculative purposes. The related cash flow impacts of all derivative activities are reflected as cash flows from operating activities.

The Company does not believe there is significant risk of loss in the event of non-performance by the counterparty associated with its derivative instruments because these transactions are executed with a major financial institution. Further, the Company's policy is to deal only with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties.

Summary of Foreign Exchange Hedging Positions

At December 31, 2021 and 2020, the Company had outstanding forward exchange with gross notional values of \$150 million and \$180 million, respectively. At December 31, 2021, approximately 73% of these contracts mature within three months, 10% in three to six months, 13% in six to twelve months and 4% in greater than 12 months.

The following is a summary of the primary hedging positions and corresponding fair values:

	December 31, 2021		December 31, 2020	
	Gross Notional Value	Fair Value Asset (Liability) ⁽¹⁾	Gross Notional Value	Fair Value Asset (Liability) ⁽¹⁾
<i>(in millions)</i>				
Currencies Hedged (Buy/Sell)				
Philippine Peso/U.S. Dollar	\$ 55	\$ (2)	\$ 53	\$ 1
Indian Rupee/U.S. Dollar	47	1	52	1
Euro/U.S. Dollar	18	—	17	—
Mexican Peso/U.S. Dollar	—	—	2	—
All Other	30	—	56	—
Total Foreign Exchange Hedging	\$ 150	\$ (1)	\$ 180	\$ 2

(1) Represents the net receivable (payable) amount included in the Consolidated Balance Sheet.

Note 13 – Fair Value of Financial Assets and Liabilities

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP established a hierarchy framework to classify the fair value based on the observability of significant inputs to the measurement. The levels of the fair value hierarchy are as follows:

Level 1: Fair value is determined using an unadjusted quoted price in an active market for identical assets or liabilities.

Level 2: Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities.

Summary of Financial Assets and Liabilities Accounted for at Fair Value on a Recurring Basis

The following table represents assets and liabilities measured at fair value on a recurring basis. The basis for the measurement at fair value in all cases was Level 2.

(in millions)	December 31, 2021	December 31, 2020
Assets:		
Foreign exchange contract - forward	\$ 1	\$ 2
Total Assets	\$ 1	\$ 2
Liabilities:		
Foreign exchange contracts - forward	\$ 2	\$ —
Total Liabilities	\$ 2	\$ —

Summary of Other Financial Assets and Liabilities

The estimated fair values of other financial assets and liabilities were as follows:

(in millions)	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long-term debt	\$ 1,383	\$ 1,374	\$ 1,420	\$ 1,378

The fair value amounts for Cash and cash equivalents, Restricted cash, Accounts receivable, net and Short-term debt approximate carrying amounts due to the short-term maturities of these instruments.

In January 2019, the Company completed the acquisition of Health Solutions Plus (HSP), a software provider of healthcare payer administration solutions, for a total base consideration of \$90 million and a maximum contingent consideration payment of \$8 million based on a cumulative achievement over 2 years. The fair value of the contingent consideration payable related to the HSP acquisition was measured using a Monte Carlo simulation model and calibrated to management's financial projections of the acquired business. The value of the contingent consideration payable was then estimated to be the arithmetic average of all simulation paths, discounted to the valuation date (Level 3). During the third quarter of 2020, the contingent consideration payable was settled.

The fair value of Long-term debt was estimated based on the current rates offered to the Company for debt of similar maturities (Level 2).

Note 14 – Employee Benefit Plans

Defined Benefit Plans

The Company's remaining benefit obligations and plan assets at December 31, 2021 were \$16 million and \$1 million, respectively. The Company's benefit obligations and plan assets at December 31, 2020 were \$13 million and \$2 million, respectively.

Defined Contribution Plans

The Company has post-retirement savings and investment plans in several countries, including the U.S., U.K. and Canada. In many instances, employees from those defined benefit pension plans that have been amended to freeze future service accruals were transitioned to an enhanced defined contribution plan. In these plans employees are allowed to contribute a portion of their salaries and bonuses to the plans, and the Company matches a portion of the employee contributions. Beginning in 2019, the Company suspended its match to the 401(k) plan for all U.S. salaried employees and extended the suspension to all U.S. hourly employees in the second quarter of 2020. However, the match was reinstated for all U.S. employees in November of 2020.

The Company recorded charges related to its defined contribution plans of \$21 million in 2021, \$6 million in 2020 and \$9 million in 2019.

Note 15 - Income Taxes

Loss before income taxes (pre-tax income (loss)) was as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Domestic loss	\$ (68)	\$ (186)	\$ (2,177)
Foreign income	43	47	71
Loss Before Income Taxes	\$ (25)	\$ (139)	\$ (2,106)

Provision (benefit) for income taxes were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Federal Income Taxes			
Current	\$ 6	\$ (22)	\$ (3)
Deferred	(23)	(17)	(170)
Foreign Income Taxes			
Current	15	18	47
Deferred	2	(4)	(8)
State Income Taxes			
Current	3	5	5
Deferred	—	(1)	(43)
Total Provision (Benefit)	\$ 3	\$ (21)	\$ (172)

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate was as follows:

	Year Ended December 31,		
	2021	2020	2019
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Nondeductible expenses	(15.5)%	(2.1)%	(0.2)%
Change in valuation allowance for deferred tax assets	(20.4)%	0.6 %	(1.2)%
State taxes, net of federal benefit	(8.6)%	(2.1)%	1.8 %
Tax-exempt income, credits and incentives	38.4 %	5.1 %	0.3 %
Foreign rate differential adjusted for U.S. taxation of foreign profits ⁽¹⁾	(11.1)%	(0.9)%	(0.2)%
Divestitures	2.1 %	— %	0.2 %
Impairments ⁽²⁾	(3.1)%	— %	(14.1)%
Unrecognized tax benefits	0.8 %	(1.2)%	(0.3)%
Audit and other tax adjustments	(22.9)%	(5.3)%	0.1 %
Excess tax benefits	7.5 %	— %	— %
Other ⁽³⁾	2.1 %	— %	0.8 %
Effective Income Tax Rate	(9.7)%	15.1 %	8.2 %

- (1) The "Foreign rate differential adjusted for U.S. taxation of foreign profits" includes the U.S. tax, net of foreign tax credits, associated with actual and deemed repatriations of earnings from our non-U.S. subsidiaries.
- (2) Impairment represents adjustments for impairment of an equity investment and the non-deductible component of goodwill.
- (3) In 2021, the "Other" line includes two reconciling items above 5% of the federal statutory rate. The impact to the effective rate is driven by the low pretax book income in 2021, and these items are otherwise immaterial. As such, the Company believes it is appropriate for these items to remain in "Other".

On a consolidated basis, the Company paid \$25 million, received a refund of \$1 million and paid \$46 million in combined income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2021, 2020 and 2019, respectively.

Unrecognized Tax Benefits and Audit Resolutions

The Company recognizes tax liabilities when, despite its belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Each period the Company assesses uncertain tax positions for recognition, measurement and effective settlement. Benefits from uncertain tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Where the Company has determined that its tax return filing position does not satisfy the more-likely-than-not recognition threshold, the Company has recorded no tax benefits.

The Company is also subject to ongoing tax examinations in numerous jurisdictions due to the extensive geographical scope of its operations. Ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact its operating results. The specific timing of when the resolution of each tax position will be reached is uncertain.

As of December 31, 2021, the Company had \$23 million of unrecognized tax benefits, of which \$22 million, if recognized, would impact the Company's effective tax rate. Due to expected settlements, the Company estimates that \$11 million of the total unrecognized tax benefits will reverse within the next twelve months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

(in millions)	2021	2020	2019
Balance at January 1	\$ 23	\$ 24	\$ 20
Additions related to current year	—	—	1
Additions related to prior years positions	3	3	7
Reductions related to prior years positions	(3)	—	(3)
Settlements with taxing authorities	—	(4)	(1)
Balance at December 31	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 24</u>

The Company maintains offsetting benefits from other jurisdictions of \$12 million, \$15 million and \$16 million, at December 31, 2021, 2020 and 2019, respectively. The Company recognized interest and penalties accrued on unrecognized tax benefits within income tax expense. The Company had \$12 million, \$13 million and \$14 million accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2021, 2020 and 2019, respectively. In the U.S., the Company is no longer subject to U.S. federal income tax examinations for years before 2017. With respect to major foreign jurisdictions, the years generally remain open back to 2005.

Deferred Income Taxes

The Company is indefinitely reinvested in the undistributed earnings of its foreign subsidiaries with respect to the U.S. These foreign subsidiaries have aggregate cumulative undistributed earnings of \$307 million as of December 31, 2021. For years after 2017, the Tax Reform does allow for certain earnings to be repatriated free from U.S. Federal taxes. However, the repatriation of earnings could give rise to additional tax liabilities. The Company has also not provided for deferred taxes on outside basis differences in its investments in its foreign subsidiaries. A determination of the unrecognized deferred taxes related to these other components of our outside basis differences is not practicable. The Company has provided for deferred taxes with respect to certain unremitted earnings of foreign subsidiaries that are not indefinitely reinvested between foreign subsidiaries outside of the U.S.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes were as follows:

(in millions)	December 31,	
	2021	2020
Deferred Tax Assets		
Net operating losses and capital loss carryforward	\$ 84	\$ 96
Operating reserves, accruals and deferrals	49	57
Deferred compensation	5	7
Settlement reserves	18	17
Operating lease liabilities	63	68
Tax credits	42	42
Other	4	7
Subtotal	265	294
Valuation allowance	(82)	(83)
Total	\$ 183	\$ 211
Deferred Tax Liabilities		
Unearned income	\$ —	\$ 27
Intangibles and goodwill	79	100
Depreciation	85	75
Operating lease right-of-use assets	56	57
Other	18	26
Total	\$ 238	\$ 285
Total Deferred Tax Assets (Liabilities), Net	\$ (55)	\$ (74)

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more-likely-than-not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2021 and 2020 was a decrease of \$1 million and an increase of \$11 million, respectively. The valuation allowance relates primarily to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.

Although realization is not assured, we have concluded that it is more-likely-than-not that the deferred tax assets, for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

At December 31, 2021, we had tax credit carryforwards of \$42 million available to offset future income taxes, which will expire between 2027 and 2041, if not utilized. We also had net operating loss carryforwards for income tax purposes of \$603 million that will expire between 2022 and 2041, if not utilized, and \$143 million available to offset future taxable income indefinitely. We had \$7 million of capital loss carryforwards for income tax purposes that will expire in 2024, if not utilized, and \$12 million available to offset future capital gains income indefinitely.

Note 16 – Contingencies and Litigation

As more fully discussed below, the Company is involved in a variety of claims, lawsuits, investigations and proceedings concerning a variety of matters, including: governmental entity contracting, servicing and procurement law; intellectual property law; employment law; commercial and contracts law; the Employee Retirement Income Security Act (ERISA); and other laws and regulations. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing its litigation and regulatory matters using available information. The Company develops its view on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts in excess of any accrual for such matter or matters, this could have a material adverse effect on the Company's results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs. The Company believes it has recorded adequate provisions for any such matters as of December 31, 2021. Litigation is inherently unpredictable, and it is not possible to predict the ultimate outcome of these matters and such outcome in any such matters could be more than any amounts accrued and could be material to the Company's results of operations, cash flows or financial position in any reporting period.

Additionally, guarantees, indemnifications and claims arise during the ordinary course of business from relationships with suppliers, customers and non-consolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract could trigger an obligation of the Company. These potential claims include actions based upon alleged exposures to products, real estate, intellectual property such as patents, environmental matters and other indemnifications. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the outcome of these claims. However, while the ultimate liabilities resulting from such claims may be significant to results of operations in the period recognized, management does not anticipate they will have a material adverse effect on the Company's Consolidated Financial position or liquidity. As of December 31, 2021, the Company had accrued its estimate of liability incurred under its indemnification arrangements and guarantees.

Litigation Against the Company

Employees' Retirement System of the Puerto Rico Electric Power Authority et al v. Conduent Inc. et al.: On March 8, 2019, a putative class action lawsuit alleging violations of certain federal securities laws in connection with our statements and alleged omissions regarding our financial guidance and business and operations was filed against us, our former Chief Executive Officer, and our former Chief Financial Officer in the United States District Court for the District of New Jersey. The complaint seeks certification of a class of all persons who purchased or otherwise acquired our securities from February 21, 2018 through November 6, 2018, and also seeks unspecified monetary damages, costs, and attorneys' fees. We moved to dismiss the class action complaint in its entirety. In June 2020, the court denied the motion to dismiss and allowed the claims to proceed. We intend to defend the litigation vigorously. The Company maintains insurance that may cover any costs arising out of this litigation up to the insurance limits, and subject to meeting certain deductibles and to other terms and conditions thereof. The Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Skyview Capital LLC and Continuum Global Solutions, LLC v. Conduent Business Services, LLC: On February 3, 2020, plaintiffs filed a lawsuit in the Superior Court of New York County, New York. The lawsuit relates to the sale of a portion of Conduent Business Service, LLC's (CBS) select standalone customer care call center business to plaintiffs, which sale closed in February 2019. Under the terms of the sale agreement, CBS received approximately \$23 million of notes from plaintiffs (Notes). The lawsuit alleges various causes of action in connection with the acquisition, including: indemnification for breach of representation and warranty; indemnification for breach of contract and fraud. Plaintiffs allege that their obligation to mitigate damages and their contractual right of set-off permits them to withhold and deduct from any amounts that are owed to CBS under the Notes, and plaintiffs seek a judgement that they have no obligation to pay the Notes. On August 20, 2020, Conduent filed a counterclaim against Skyview LLC (Skyview) seeking the outstanding balance on the Notes, the amounts owed for the Jamaica deferred closing, and other transition services agreement and late rent payment obligations. Conduent also moved to dismiss Skyview's claims in 2020. In May 2021, the court denied the motion and allowed the claims to proceed. Conduent denies all of the plaintiffs' allegations, believes that it has strong defenses to all of plaintiffs' claims and it intends to defend the litigation vigorously. The Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Dennis Nasrawi v. Buck Consultants et al.: On October 8, 2009, plaintiffs filed a lawsuit in the Superior Court of California, Stanislaus County, and on November 24, 2009, the case was removed to the U.S. Court for the Eastern District of California, Fresno Division. Plaintiffs allege actuarial negligence against Buck Consultants, LLC (Buck), which was a wholly-owned subsidiary of Conduent, for the use of faulty actuarial assumptions in connection with the 2007 actuarial valuation for the Stanislaus County Employees Retirement Association (StanCERA). Plaintiffs allege that the employer contribution rate adopted by StanCERA based on Buck's valuation was insufficient to fund the benefits promised by the County. On July 13, 2012, the Court entered its ruling that the plaintiffs lacked standing to sue in a representative capacity on behalf of all plan participants. The Court also ruled that plaintiffs had adequately pleaded their claim that Buck allegedly aided and abetted StanCERA in breaching its fiduciary duty. Plaintiffs then filed their Fifth Amended Complaint and added StanCERA to the litigation. Buck and StanCERA filed demurrers to the amended complaint. On September 13, 2012, the Court sustained both demurrers with prejudice, completely dismissing the matter and barring plaintiffs from refiling their claims. Plaintiffs appealed, and ultimately the California Court of Appeals (Sixth District) reversed the trial court's ruling and remanded the case back to the trial court as to Buck only, and only with respect to plaintiff's claim of aiding and abetting StanCERA in breaching its fiduciary duty. This case has been stayed pending the outcome of parallel litigation the plaintiffs are pursuing against StanCERA. The parallel litigation was tried before the bench in June 2018, and on January 24, 2019, the court found in favor of StanCERA, holding that it had not breached its fiduciary duty to plaintiffs. On April 26, 2019, plaintiffs in the parallel litigation filed an appeal. On December 8, 2021, the appellate court affirmed the trial court's decision, and the judgment became final on January 7, 2022. Plaintiffs in the parallel litigation filed a petition for review to the California Supreme Court. Nasrawi remains stayed until the parallel litigation is finally concluded. Absent the court finding that StanCERA breached its fiduciary duty, plaintiffs' claim against Buck for aiding and abetting said breach would not appear viable. Buck will continue to aggressively defend these lawsuits. In August 2018, Conduent sold Buck; however, the Company retained this liability after the sale. The Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Conduent Business Services, LLC v. Cognizant Business Services Corporation: On April 12, 2017, CBS filed a lawsuit against Cognizant Business Services Corporation (Cognizant) in the Supreme Court of New York County, New York. The lawsuit relates to the Amended and Restated Master Outsourcing Services Agreement effective as of October 24, 2012, and the service delivery contracts and work orders thereunder, between CBS and Cognizant, as amended and supplemented (Contract). The Contract contains certain minimum purchase obligations by CBS through the date of expiration. The lawsuit alleges that Cognizant committed multiple breaches of the Contract, including Cognizant's failure to properly perform its obligations as subcontractor to CBS under CBS's contract with the New York Department of Health to provide Medicaid Management Information Systems. In the lawsuit, CBS seeks damages in excess of \$150 million. During the first quarter of 2018, CBS provided notice to Cognizant that it was terminating the Contract for cause and recorded in the same period certain charges associated with the termination. CBS also alleges that it terminated the Contract for cause, because, among other things, Cognizant violated the Foreign Corrupt Practices Act. In its answer, Cognizant asserted two counterclaims for breach of contract seeking recovery of damages in excess of \$47 million, which includes amounts alleged not paid to Cognizant under the Contract and an alleged \$25 million termination fee. Cognizant's second amended counterclaim increased Cognizant's damages to \$89 million. CBS will continue to vigorously defend itself against the counterclaims, but the Company is not able to determine or predict the ultimate outcome of this proceeding or reasonably provide an estimate or range of estimate of the possible outcome or loss, if any, in excess of currently recorded reserves.

Other Matters:

Since 2014, Xerox Education Services, Inc. (XES) has cooperated with several federal and state agencies regarding a variety of matters, including XES' self-disclosure to the U.S. Department of Education (Department) and the Consumer Financial Protection Bureau (CFPB) that some third-party student loans under outsourcing arrangements for various financial institutions required adjustments. With the exception of one remaining state attorney general inquiry, the Company has resolved all investigations by the CFPB, several state agencies, the Department and the U.S. Department of Justice. The Company cannot provide assurance that the CFPB, another regulator, a financial institution on behalf of which XES serviced third-party student loans, or another party will not ultimately commence a legal action against XES in which fines, penalties or other liabilities are sought from XES. Nor is the Company able to predict the likely outcome of these matters, should any such matter be commenced, or reasonably provide an estimate or range of estimates of any loss in excess of currently recorded reserves. The Company could, in future periods, incur judgments or enter into settlements to resolve these potential matters for amounts in excess of current reserves and there could be a material adverse effect on the Company's results of operations, cash flows and financial position in the period in which such change in judgment or settlement occurs.

Guarantees and Indemnifications

Indemnifications Provided as Part of Contracts and Agreements

Acquisitions/Divestitures:

The Company has indemnified, subject to certain deductibles and limits, the purchasers of businesses or divested assets for the occurrence of specified events under certain of its divestiture agreements. In addition, the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants, including such matters as adequate title to assets sold, intellectual property rights and certain income taxes arising prior to the date of acquisition. Where appropriate, an obligation for such indemnifications is recorded as a liability at the time of the acquisition or divestiture. Since the obligated amounts of these types of indemnifications are often not explicitly stated or are contingent on the occurrence of future events, the overall maximum amount, or range of amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, the Company has not historically made significant payments for these indemnifications. Additionally, under certain of the Company's acquisition agreements, it has provided for additional consideration to be paid to the sellers if established financial targets are achieved within specific timeframes post-closing. The Company has recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. Contingent obligations related to indemnifications arising from divestitures and contingent consideration provided for by acquisitions are not expected to be material to the Company's financial position, results of operations or cash flows.

Other Agreements:

The Company is also party to the following types of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters:

- Guarantees on behalf of the Company's subsidiaries with respect to real estate leases. These lease guarantees may remain in effect after the sale of the subsidiary.
- Agreements to indemnify various service providers, trustees and bank agents from any third-party claims related to their performance on the Company's behalf, except for claims that result from the third-party's own willful misconduct or gross negligence.
- Guarantees of the Company's performance in certain services contracts to its customers and indirectly the performance of third parties with whom the Company has subcontracted for their services. This includes indemnifications to customers for losses that may be sustained because of the Company's performance of services at a customer's location.

In each of these circumstances, payment is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract and such procedures also typically allow the Company to challenge the other party's claims. In the case of lease guarantees, the Company may contest the liabilities asserted under the lease. Further, obligations under these agreements and guarantees may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments it made.

Intellectual Property Indemnifications

The Company does not own all of the software that it uses to run its business. Instead, the Company licenses this software from a small number of primary vendors. The Company indemnifies certain software providers against claims that may arise as a result of the Company's use or its subsidiaries', customers' or resellers' use of their software in the Company's services and solutions. These indemnities usually do not include limits on the claims, provided the claim is made pursuant to the procedures required in the services contract.

Indemnification of Officers and Directors

The Company's corporate by-laws require that, except to the extent expressly prohibited by law, the Company must indemnify its officers and directors against judgments, fines, penalties and amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with civil or criminal action or proceedings or any appeal, as it relates to their services to the Company and its subsidiaries. Although the by-laws provide no limit on the amount of indemnification, the Company may have recourse against its insurance carriers for certain payments made by the Company. However, certain indemnification payments may not be covered under the Company's directors' and officers' insurance coverage. The Company also indemnifies certain fiduciaries of its employee benefit plans for liabilities incurred in their service as fiduciary whether or not they are officers of the Company. Finally, in connection with the Company's acquisition of businesses, it may become contractually obligated to indemnify certain former and current directors, officers and employees of those businesses in accordance with pre-acquisition by-laws or indemnification agreements or applicable state law.

Other Contingencies

Certain contracts, primarily in the Company's Government Services and Transportation segments, require the Company to provide a surety bond or a letter of credit as a guarantee of performance. As of December 31, 2021, the Company had \$560 million of outstanding surety bonds used to secure its performance of contractual obligations with its clients and \$109 million of outstanding letters of credit issued to secure the Company's performance of contractual obligations to its clients as well as other corporate obligations. In general, the Company would only be liable for these guarantees in the event of default in the Company's performance of its obligations under each contract. The Company believes it has sufficient capacity in the surety markets and liquidity from its cash flow and its various credit arrangements to allow it to respond to future requests for proposals that require such credit support.

Note 17 - Preferred Stock

Series A Preferred Stock

In connection with the December 31, 2016 separation from the Company's former parent company (Separation), the Company issued 120,000 shares of Series A convertible perpetual preferred stock with an aggregate liquidation preference of \$120 million and an initial fair value of \$142 million. The Series A convertible preferred stock pays quarterly cash dividends at a rate of 8% per year (\$9.6 million per year). Each share of the Series A convertible preferred stock is convertible at any time, at the option of the holder, into 44.9438 shares of common stock for a total of 5,393,000 shares (reflecting an initial conversion price of approximately \$22.25 per share of common stock), subject to customary anti-dilution adjustments.

If the closing price of the Company's common stock exceeds 137% of the initial conversion price for 20 out of 30 trading days, the Company has the right to cause any or all of the Series A convertible preferred stock to be converted into shares of common stock at the then applicable conversion rate. The Series A convertible preferred stock is also convertible, at the option of the holder, upon a change in control, at the applicable conversion rate plus an additional number of shares determined by reference to the price paid for the Company's common stock upon such change in control. In addition, upon the occurrence of certain fundamental change events, including a change in control or the delisting of Conduent's common stock, the holder of Series A convertible preferred stock has the right to require the Company to redeem any or all of the Series A convertible preferred stock in cash at a redemption price per share equal to the liquidation preference and any accrued and unpaid dividends to, but not including, the redemption date. As a result of the contingent redemption feature, the Series A convertible preferred stock is classified as temporary equity and reflected separately from permanent equity in the Consolidated Balance Sheets.

Note 18 – Shareholders' Equity

Preferred Stock

As of December 31, 2021, the Company had one class of preferred stock outstanding. Refer to Note 17 – Preferred Stock for further information. The Company is authorized to issue approximately 100 million shares of convertible preferred stock at \$0.01 par value per share.

Common Stock

The Company has 1 billion authorized shares of common stock at \$0.01 par value per share. At December 31, 2021, 28.9 million shares were reserved for issuance under the Company's incentive compensation plans and 5.4 million shares were reserved for conversion of the Series A convertible preferred stock.

Stock Compensation Plans

Certain of the Company's employees participate in a long-term incentive plan. The Company's long-term incentive plan authorizes the issuance of restricted stock units / shares (RSU), performance stock units / share (PSU) and non-qualified stock options to employees. Stock-based compensation expense includes expense based on the awards and terms previously granted to the employees.

Stock-based compensation expense was as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Stock-based compensation expense, pre-tax	\$ 21	\$ 20	\$ 24
Income tax benefit recognized in earnings	3	3	—

Restricted Stock Units / Shares Compensation expense is based upon the grant date market price. The compensation expense is recorded over the vesting period based on management's estimate of the number of shares expected to vest. The Company's RSU awards typically vest in three separate and equal tranches over a three-year period. Each tranche vests annually, at December 31, following the date of grant.

In 2021, the Company issued 329 thousand Deferred Stock Units (DSU) to non-employee members of the Board of Directors. DSU awards typically vest in accordance with certain service conditions.

Performance Stock Units / Shares: The Company has granted PSUs under various scenarios including:

- PSUs that vest contingent upon its achievement of certain specified financial performance criteria over a three-year period. If the three-year actual results exceed the stated targets, then the plan participants have the potential to earn additional shares of common stock, which cannot exceed 50% of the original grant. The fair value of these PSUs is based upon the market price of Conduent's common stock on the date of the grant. Compensation expense is recognized over the vesting period, which is two years and nine months from the date of grant, based on management's estimate of the number of shares expected to vest. If the stated targets are not met, any recognized compensation cost would be reversed.
- PSUs that vest contingent upon the increase of Conduent's stock price to certain levels over a two year and nine-month period from the date of grant. These PSUs also have a service requirement that must be met for them to vest. The fair value of these PSUs is based upon a Monte Carlo simulation. Compensation expense is recognized over the vesting period based on management's estimate of the number of shares expected to vest.

Summary of Stock-based Compensation Activity

(shares in thousands)	2021		2020		2019	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units / Shares						
Outstanding at January 1	5,620	\$ 3.49	1,741	\$ 13.07	2,399	\$ 16.90
Granted	2,677	6.65	7,778	2.25	2,503	12.57
Vested	(3,117)	4.69	(2,816)	4.99	(2,135)	15.54
Canceled	(1,388)	3.96	(1,083)	6.11	(1,026)	15.68
Outstanding at December 31	3,792	4.57	5,620	3.49	1,741	13.07
Performance Stock Units / Shares						
Outstanding at January 1	5,453	\$ 3.83	3,597	\$ 16.17	4,557	\$ 16.76
Granted	1,545	6.54	7,010	1.37	1,229	13.35
Vested	(1,945)	3.37	(3,163)	7.33	(1,069)	15.64
Canceled	(1,444)	5.13	(1,991)	11.91	(1,120)	16.00
Outstanding at December 31	3,609	4.71	5,453	3.83	3,597	16.17

The total unrecognized compensation cost related to non-vested stock-based awards at December 31, 2021 was as follows (in millions):

Awards	Unrecognized Compensation	Remaining Weighted-Average Expense Period (Years)
Restricted Stock Units / Shares	\$ 11	1.7
Performance Stock Units / Shares	4	1.4
Total	\$ 15	

The aggregate intrinsic value of outstanding RSUs and PSUs awards were as follows (in millions):

Awards	December 31, 2021
Restricted Stock Units / Shares	\$ 20
Performance Stock Units / Shares	19

The total intrinsic value and actual tax benefit realized for vested and exercised stock-based awards were as follows:

(in millions)	December 31, 2021			December 31, 2020			December 31, 2019		
Awards	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit	Total Intrinsic Value	Cash Received	Tax Benefit
Restricted Stock Units / Shares	\$ 17	\$ —	\$ 3	\$ 13	\$ —	\$ 3	\$ 17	\$ —	\$ 4
Performance Stock Units / Shares	11	—	2	14	—	2	11	—	2

Note 19 – Other Comprehensive Income (Loss)

Other Comprehensive Income (Loss) is comprised of the following:

(in millions)	Year Ended December 31,					
	2021		2020		2019	
	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Currency Translation						
Currency translation adjustments, net	\$ (31)	\$ (31)	\$ 8	\$ 8	\$ 3	\$ 3
Reclassification of currency translation adjustments on divestitures	—	—	—	—	15	15
Translation adjustments gains (losses)	\$ (31)	\$ (31)	\$ 8	\$ 8	\$ 18	\$ 18
Unrealized Gains (Losses)						
Changes in fair value of cash flow hedges gains (losses)	\$ (1)	\$ (1)	\$ —	\$ —	\$ 1	\$ 1
Changes in cash flow hedges reclassified to earnings ⁽¹⁾	—	—	—	—	(1)	—
Net Unrealized Gains (Losses)	\$ (1)	\$ (1)	\$ —	\$ —	\$ —	\$ 1
Defined Benefit Plans Gains (Losses)						
Reclassification of divested benefit plans and other	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ (1)
Net actuarial/prior service gains (losses)	1	1	1	1	—	—
Changes in Defined Benefit Plans Gains (Losses)	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ (1)
Other Comprehensive Income (Loss)	\$ (31)	\$ (31)	\$ 9	\$ 9	\$ 19	\$ 18

(1) Reclassified to Cost of services - refer to Note 12 – Financial Instruments for additional information regarding our cash flow hedges.

Accumulated Other Comprehensive Loss (AOCL)

Below are the balances and changes in AOCL⁽¹⁾:

(in millions)	Currency Translation Adjustments	Gains (Losses) on Cash Flow Hedges	Defined Benefit Pension Items	Total
Balance at December 31, 2018	\$ (426)	\$ 2	\$ (1)	\$ (425)
Other comprehensive income (loss) before reclassifications	3	1	—	4
Amounts reclassified from accumulated other comprehensive loss	15	—	(1)	14
Net current period other comprehensive income (loss)	18	1	(1)	18
Balance at December 31, 2019	\$ (408)	\$ 3	\$ (2)	\$ (407)
Other comprehensive income (loss) before reclassifications	8	—	1	9
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	8	—	1	9
Balance at December 31, 2020	\$ (400)	\$ 3	\$ (1)	\$ (398)
Other comprehensive income (loss) before reclassifications	(31)	(1)	1	(31)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—
Net current period other comprehensive income (loss)	(31)	(1)	1	(31)
Balance at December 31, 2021	\$ (431)	\$ 2	\$ —	\$ (429)

(1) All amounts are net of tax. Tax effects were immaterial.

Note 20 – Earnings (Loss) per Share

We did not declare any common stock dividends in the periods presented.

The following table sets forth the computation of basic and diluted loss per share of common stock:

(in millions, except per share data. Shares in thousands)	Year Ended December 31,		
	2021	2020	2019
Net Earnings (Loss) per Share:			
Net Income (Loss)	\$ (28)	\$ (118)	\$ (1,934)
Dividend - Preferred Stock	(10)	(10)	(10)
Adjusted Net Income (Loss) Available to Common Shareholders	<u>\$ (38)</u>	<u>\$ (128)</u>	<u>\$ (1,944)</u>
Weighted Average Common Shares Outstanding - Basic	212,719	210,018	209,318
Common Shares Issuable with Respect to:			
Restricted Stock And Performance Units / Shares	0	0	0
Weighted Average Common Shares Outstanding - Diluted	<u>212,719</u>	<u>210,018</u>	<u>209,318</u>
Net Earnings (Loss) per Share:			
Basic	\$ (0.18)	\$ (0.61)	\$ (9.29)
Diluted	\$ (0.18)	\$ (0.61)	\$ (9.29)
The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive (shares in thousands):			
Restricted stock and performance shares/units	8,210	12,286	8,943
Convertible preferred stock	5,393	5,393	5,393
Total Anti-Dilutive and Contingently Issuable Securities	<u>13,603</u>	<u>17,679</u>	<u>14,336</u>

Note 21 – Related Party Transactions

During the third quarter of 2019, Carl C. Icahn and his affiliates (shareholders) increased their ownership interest in the Company. In the normal course of business, the Company provides services to, and purchases from, certain related parties with the same shareholders. The services provided to these entities included those related to human resources, end-user support and other services and solutions. The purchases from these entities included office equipment and related services and supplies. Revenue and purchases from these entities were included in Revenue and Costs of services or Selling, general and administrative, respectively, on the Company's Consolidated Statements of Income (Loss).

Transactions with related parties were as follows:

(in millions)	Year Ended December 31,		
	2021	2020	2019
Revenue from related parties	\$ 16	\$ 24	\$ 33
Purchases from related parties	\$ 28	\$ 36	\$ 46

The Company's receivable and payable balances with related party entities were not material as of December 31, 2021 and 2020.

Note 22 – Subsequent Events

On February 8, 2022, the Company completed the sale of the Midas Suite of patient safety, quality and advanced analytics solutions. At closing, the Buyer paid the Company \$321 million in cash, which is subject to settlement of customary post-closing adjustments. The revenue from this business was \$70 million and \$72 million for the years ended December 31, 2021 and 2020, respectively.

On February 11, 2022, the Company repaid \$100 million of outstanding borrowings, plus accrued interest thereon, under the 2021 Revolving Credit Facility.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Responsibility for Financial Statements

Management is responsible for the integrity and objectivity of all information presented in this Annual Report on Form 10-K. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets regularly with the independent registered public accountants, PricewaterhouseCoopers LLP, the internal auditors and representatives of management to review accounting, financial reporting, internal control and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent registered public accountants. The independent registered public accountants and internal auditors have access to the Audit Committee.

Disclosure Controls and Procedures

The Company's management evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2021, the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to Conduent Incorporated, including our consolidated subsidiaries, and was accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and principal accounting officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the above evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding our executive officers required by Item 10 of Part III is set forth in Item 1 of Part I "Business—Information About Our Executive Officers." The information regarding directors is incorporated herein by reference to the section entitled "Proposal 1 - Election of Directors" in our definitive Proxy Statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our 2022 Annual Meeting of Stockholders (the 2022 Proxy Statement). The 2022 Proxy Statement is expected to be filed within 120 days after the end of our fiscal year ended December 31, 2021.

The information regarding compliance with Section 16(a) of the Securities and Exchange Act of 1934 is incorporated herein by reference to the section entitled "Delinquent Section 16(a) Report" of our 2022 Proxy Statement.

The information required by this Item regarding the Audit Committee, its members and the Audit Committee financial experts is incorporated by reference herein from the subsection entitled "Committee Functions, Membership and Meetings" in the section entitled "Proposal 1 - Election of Directors" in our 2022 Proxy Statement.

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer and principal accounting officer (Finance Code of Conduct). The Finance Code of Conduct can be found on our website at: <https://www.conduent.com/corporate-governance/ethics-and-compliance/>. Information concerning our Finance Code of Conduct can be found under "Corporate Governance" in our 2022 Proxy Statement and is incorporated here by reference. The reference to our website address does not constitute incorporation by reference of any of the information contained on the website, and such information is not a part of this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item included under the following captions under "Proposal 1 - Election of Directors" in our 2022 Proxy Statement is incorporated herein by reference: "Compensation Discussion and Analysis", "Summary Compensation Table", "Grants of Plan-Based Awards in 2021", "Outstanding Equity Awards at 2021 Fiscal Year-End", "Option Exercises and Stock Vested in 2021", "Potential Payments upon Termination or Change in Control", "Annual Director Compensation", "Equity Compensation Plan Information", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee". The information included under the heading "Compensation Committee Report" in our 2022 Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated herein by reference to the subsections entitled "Securities Ownership," and "Equity Compensation Plan Information" under "Proposal 1 - Election of Directors" in our 2022 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated herein by reference to the subsection entitled "Certain Relationships and Related Person Transactions" under "Proposal 1 - Election of Directors" in our 2022 Proxy Statement. The information regarding director independence is incorporated herein by reference to the subsections entitled "Corporate Governance" and "Director Independence" in the section entitled "Proposal 1 - Election of Directors" in our 2022 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the section entitled "Proposal 2 - Ratification of Appointment of Independent Registered Public Accounting Firm" in our 2022 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

1. Index to Financial Statements filed as part of this report:
 - Report of Independent Registered Public Accounting Firm (PCAOB ID: 238);
 - Consolidated Statements of Income (Loss) for each of the years in the three-year period ended December 31, 2021;
 - Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2021;
 - Consolidated Balance Sheets as of December 31, 2021 and 2020;
 - Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2021;
 - Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2021;
 - Notes to the Consolidated Financial Statements; and
 - All other schedules are omitted as they are not applicable, or the information required is included in the financial statements or notes thereto.
2. Financial Statement Schedules:
 - Schedule II—Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2021.
3. The exhibits filed herewith are set forth in the exhibit Index included herein.

(b) Management contracts or compensatory plans or arrangements listed that are applicable to the executive officers named in the Summary Compensation Table which appears in the Registrant's 2022 Proxy Statement or to our directors are preceded by an asterisk (*).

SCHEDULE II

Valuation and Qualifying Accounts

For the three years ended December 31, 2021

(in millions)		Balance at beginning of period	Additions charged to expense ⁽¹⁾⁽⁴⁾	Amounts (credited) charged to other income statement accounts ⁽²⁾	Deductions and other, net of recoveries ⁽³⁾⁽⁴⁾	Balance at end of period
Allowance for Credit Losses:						
2021	Accounts Receivable	\$ 2	\$ 1	\$ —	\$ (3)	\$ —
2020	Accounts Receivable	2	1	—	(1)	2
2019	Accounts Receivable	1	3	—	(2)	2
Tax Valuation Allowance:						
2021	Tax Valuation	83	10	—	(11)	82
2020	Tax Valuation	72	17	—	(6)	83
2019	Tax Valuation	44	38	—	(10)	72

- (1) *Account Receivables/Contract Assets: additions charged to expense represent bad debt provisions relate to estimated losses due to credit and similar collectability issues.*
- (2) *Account Receivables: Other charges (credits) relate to adjustments to reserves necessary to reflect events of non-payment such as customer accommodations and contract terminations.*
- (3) *Account Receivables/Contract Assets: Deductions and other, net of recoveries primarily relates to receivable and contract asset write-offs, but also includes reclassification to other balance sheet accounts, the impact of foreign currency translation adjustments and recoveries of previously written off receivables and contract assets.*
- (4) *Tax Valuation: tax valuation allowance are primarily related to certain net operating loss carryforwards, tax credit carryforwards and deductible temporary differences for which we have concluded it is more-likely-than-not that these items will not be realized in the ordinary course of operations.*

ITEM 16. FORM 10-K SUMMARY

None

EXHIBIT INDEX

Document and Location

Exhibit No.	
3.1	Restated Certificate of Incorporation of Registrant as of December 23, 2016. Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated December 23, 2016. (See SEC File Number 001-37817).
3.2	Amended and Restated By-Laws of Registrant as amended through December 31, 2016. Incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K dated December 23, 2016. (See SEC File Number 001-37817).
4.1	Indenture, dated as of October 15, 2021, among Conduent Incorporated, Conduent Business Services, LLC, Conduent State & Local Solutions, Inc., Affiliated Business Services International, B.V., the Guarantors party thereto from time to time, the Lenders and L/C Issuers party thereto from time to time and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 4.4(g) to Registrant's Quarterly Report on Form 10-Q dated November 4, 2021. (See SEC File Number 001-37817).
4.2	4.2 Description of Securities. Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817)
10.1	Credit Agreement, dated as of October 15, 2021, among Conduent Incorporated, Conduent Business Services, LLC, Conduent State & Local Solutions, Inc., Affiliated Computer Services International B.V., the Guarantors party thereto from time to time, the Lenders and L/C Issuers party thereto from time to time and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.6(f) to Registrant's Quarterly Report on Form 10-Q dated November 14, 2021. (See SEC File Number 001-37817).
10.4(a)	Joinder Agreement to Agreement, dated December 31, 2016, among Conduent Incorporated, Xerox Corporation, Icahn Partners Master Fund LP, Icahn Partners LP, Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., Becton Corp., High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Jonathan Christodoro and Carl C. Icahn. Incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K dated January 3, 2017. (See SEC File Number 001-37817).
10.4(b)	Agreement, dated January 28, 2016, among Xerox Corporation, Icahn Partners Master Fund LP, Icahn Partners LP, Icahn Onshore LP, Icahn Offshore LP, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings L.P., Icahn Enterprises G.P. Inc., Becton Corp., High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Jonathan Christodoro and Carl C. Icahn. Incorporated by reference to Exhibit 10.6 to Registrant's Amendment No. 1 to Form 10 dated August 15, 2016. (See SEC File Number 001-37817).
10.5(a)	Exchange Agreement dated October 27, 2016 by and among Darwin A. Deason, Conduent Incorporated and Xerox Corporation. Incorporated by reference to Exhibit 10.14 to Registrant's Amendment No. 5 to Form 10 dated October 28, 2016. (See SEC File Number 001-37817).
10.5(b)	Shareholders Agreement dated December 18, 2018 by and between Darwin Deason and Conduent Incorporated. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated December 18, 2018. (See SEC File Number 001-37817).
The management contracts or compensatory plans or arrangements listed below that are applicable to the executive officers named in the Summary Compensation Table which will appear in the Registrant's 2022 Proxy Statement or to our directors are preceded by an asterisk (*).	
*10.6(a)(i)	Registrant's Performance Incentive Plan dated as of December 15, 2016 ("PIP"). Incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement No. 333-215361 dated December 29, 2016. (See SEC File Number 001-37817).
*10.6(a)(ii)	Form of Restricted Stock Unit Award Agreement 2020 under the PIP. Incorporated by reference to Exhibit 10.6(a)(vi) to the Registrant's Quarterly Report on form 10-Q dated May 8, 2020. (See SEC File Number 001-37817).

*10.6(a)(iii)	Form of Performance Restricted Stock Unit Award Agreement 2020 under the PIP.
	Incorporated by reference to Exhibit 10.6(a)(vii) to the Registrant's Quarterly Report on form 10-Q dated May 8, 2020. (See SEC File Number 001-37817).
*10.6(a)(iv)	Registrant's 2021 Performance Incentive Plan ("2021 PIP").
	Incorporated by reference to Annex A to Registrant's Proxy Filing on Schedule 14 dated April 9, 2021. (See SEC File Number 001-37817).
*10.6(a)(v)	Form of Restricted Stock Unit Award Agreement 2021 under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(x) to the Registrant's Quarterly Report on form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(vi)	Form of Performance Stock Unit Award Agreement 2021 (Revenue Metric) under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xi) to the Registrant's Quarterly Report on form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(vii)	Form of Performance Stock Unit Award Agreement 2021 (Share Hurdle Metric) under the 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xii) to the Registrant's Quarterly Report on form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(a)(viii)	Form of Agreement for Non-Employee Directors under 2021 PIP.
	Incorporated by reference to Exhibit 10.6(a)(xiii) to the Registrant's Quarterly Report on form 10-Q dated August 5, 2021. (See SEC File Number 001-37817).
*10.6(b)(i)	Registrant's Equity Compensation Plan for Non-Employee Directors dated as of December 15, 2016 ("ECPNED").
	Incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement No. 333-215361 dated December 29, 2016. (See SEC File Number 001-37817).
*10.6(b)(ii)	Form of Agreement under the ECPNED.
	Incorporated by reference to Exhibit 10.6(b)(ii) to the Registrant's Annual Report on Form 10-K dated March 10, 2017. (See SEC File Number 001-37817).
*10.6.(c)	Registrant's Executive Change in Control Severance Plan dated as of April 25, 2017.
	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated August 28, 2017. (See SEC File Number 001-37817).
*10.6(d)	Letter Agreement dated May 21, 2019 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(h) to the Registrant's Current Report on Form 8-K dated May 28, 2019. (See SEC File Number 001-37817).
*10.6(d)(i)	Letter Agreement dated August 6, 2019 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(j) to the Registrant's Current Report on Form 8-K dated August 7, 2019. (See SEC File Number 001-37817).
*10.6(d)(ii)	Letter Agreement dated February 25, 2020 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(e)(ii) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).
*10.6(d)(iii)	Letter Agreement dated February 23, 2021 between Conduent Incorporated and Clifford Skelton regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.6(d)(iii) to the Registrant's Annual Report on Form 10-K dated February 24, 2021. (See SEC File Number 001-37817).
*10.6(e)	Letter Agreement dated May 5, 2021 between Conduent Incorporated and Stephen Wood regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated May 5, 2021. (See SEC File Number 001-37817).
*10.6(f)	Letter Agreement dated May 15, 2019 between Conduent Incorporated and Mark S. Brewer.
	Incorporated by reference to Exhibit 10.6(h) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).

*10.6(g)	<u>Letter Agreement dated November 5, 2019 between Conduent Incorporated and Michael Krawitz.</u>
	Incorporated by reference to Exhibit 10.6(i) to the Registrant's Annual Report on Form 10-K dated February 26, 2020. (See SEC File Number 001-37817).
21.1	<u>List of subsidiaries of Registrant.</u>
23	<u>Consent of PricewaterhouseCoopers LLP.</u>
31(a)	<u>Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a).</u>
31(b)	<u>Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a).</u>
32	<u>Certification of CEO and CFO pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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

CONDUENT INCORPORATED

/s/ CLIFFORD SKELTON

Clifford Skelton
Chief Executive Officer

February 23, 2022

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

February 23, 2022

Signature

Title

Principal Executive Officer:

/s/ CLIFFORD SKELTON

Chief Executive Officer and Director

Clifford Skelton

Principal Financial and Accounting Officer:

/s/ STEPHEN WOOD

Executive Vice President, Chief Financial Officer and Principal Accounting Officer

Stephen Wood

/s/ HUNTER GARY

Director

Hunter Gary

/s/ KATHY HIGGINS VICTOR

Director

Kathy Higgins Victor

/s/ SCOTT LETIER

Director and Chairman of the Board

Scott Letier

/s/ JESSE LYNN

Director

Jesse Lynn

/s/ STEVEN MILLER

Director

Steven Miller

/s/ MICHAEL MONTELONGO

Director

Michael Montelongo

/s/ MARGARITA PALÁU-HERNÁNDEZ

Director

Margarita Paláu-Hernández

Through our dedicated associates, we deliver mission-critical services and solutions on behalf of businesses and governments — creating exceptional outcomes for our clients and the millions of people who count on them.





Conduent Incorporated
100 Campus Drive, Suite 200
Florham Park, NJ 07932
Conduent.com

5.4 Certificate of Assistant Secretary Cade

CERTIFICATE OF ASSISTANT SECRETARY

I, **Carrie Glidden**, in my capacity as **Assistant Secretary of Conduent State Healthcare, LLC**, a Delaware limited liability company (the "Company"), hereby deliver this Certificate of Assistant Secretary to certify that **Scott Cade** is the duly elected, qualified and acting **Vice President** of the Company and in such capacity is authorized to legally obligate and bind the Company and is authorized to execute any and all proposals, contracts, contract amendments and other procurement-related documents in connection with the **Indiana Department of Administration, Family and Social Services Administration, Division of Family Resources and Development Services RFP 24-77693**, by and between Conduent State Healthcare, LLC and the Indiana Family and Social Services Administration, and all other documents to be executed therewith.

IN WITNESS WHEREOF, I have set my hand to this Certificate of Assistant Secretary as of this 19th day of January 2024.

CONDUENT STATE HEALTHCARE, LLC,
a Delaware limited liability company

By: _____

Carrie Glidden, Esq.
Assistant Secretary

5.5 Sample BCP_DRP Outline

5.6 Subcontractors [RFP 2.6.4]

Conduent has carefully selected our subcontracting partners to support your project, including Minority- and Women-Owned Businesses Enterprises as part of our commitment to diverse suppliers. In the following sections, we provide all required subcontractor information, including qualifications and experience, for the firm that will serve as a subcontractor to Conduent on the project.

REQUIREMENT: RFP Section 2.6.4

2.6.4 Subcontractors

The Respondent is responsible for the performance of any obligations that may result from this solicitation and shall not be relieved by the non-performance of any subcontractor. Respondent's proposal must identify all subcontractors including those not submitted in Attachment A and describe the contractual relationship between the Respondent and each subcontractor. Per instructions in Attachment J, either a copy of the executed subcontract or a letter of agreement over the official signature of the firms involved must accompany each proposal.

Any subcontracts entered into by the Respondent must be in compliance with all State statutes and will be subject to the provisions thereof. For each portion of the proposed products or services to be provided by a subcontractor, the Attestation Form, Attachment J, must include the identification of the functions to be provided by the subcontractor and the subcontractor's related qualifications and experience.

The combined qualifications and experience of the Respondent and any or all subcontractors will be considered in the State's evaluation. The Respondent must furnish information to the State as to the amount of the subcontract, the qualifications of the subcontractor for guaranteeing performance, and any other data that may be required by the State. All subcontracts held by the Respondent must be made available upon request for inspection and examination by appropriate State officials, and such relationships must meet with the approval of the State.

The Respondent must list any subcontractor's name, address, and the state in which formed that are proposed to be used in providing the required products or services. The subcontractor's responsibilities under the proposal, anticipated dollar amount for subcontract, the subcontractor's form of organization, and an indication from the subcontractor of a willingness to carry out these responsibilities are to be included for each subcontractor. This assurance in no way relieves the Respondent of any responsibilities in responding to this solicitation or in completing the commitments documented in the proposal. The Respondent must indicate which, if any, subcontractors qualify as a Minority Business Enterprise, Women's Business Enterprise, or Veteran Owned Small Business under IC 4-13-16.5-1 and IC 5-22-14-3.5. See Section 1.21, Section 1.22 and Attachments A for Minority and Women Business information.

Conduent acknowledges its responsibility for the fulfillment of all obligations arising from this solicitation, and it is understood that the performance of any subcontractor does not absolve Conduent of its overall responsibility. In accordance with the provided information, this proposal will comprehensively identify all subcontractors and the contractual relationships between Conduent and each subcontractor.

The State's evaluation will consider the collective qualifications and experience of Conduent and its subcontractors. Conduent commits to providing the State with necessary information regarding subcontract amounts, subcontractor qualifications for performance assurance, and any additional data required by the State. Conduent affirms that all subcontracts it holds will be available for inspection and examination by State officials upon request, and these relationships will be subject to State approval.

We are proud to emphasize that our management team actively engages in the supervision and direction of subcontractors to make certain that they not only meet but exceed expectations. Our subcontractors that are Indiana-certified Minority- or Women-Owned Business Enterprises are included in Attachment A. The subcontractor proposed for this project which was previously an Indiana-certified Women-Owned Business Enterprise and is in the process of obtaining recertification and therefore not included on Attachment A, is [REDACTED].

In our commitment to delivering high-quality services for the DFR Learning and Development Services program, we have chosen to collaborate with [REDACTED] Staffing for quality assurance and training staffing needs and is exclusive to Conduent. As a trusted staffing partner, [REDACTED] has a proven track record with our former Indiana Eligibility Operations Program and is currently supporting us in other states across similar eligibility and training projects. Marion All-Star was formed in Indiana and is located at 3609 South Washington Street, Marion, IN 46953.

Roles and Responsibilities

- [REDACTED] Staffing will be instrumental in providing staffing support for the scope of this project
- They bring a wealth of experience and a pool of skilled recruiters and human resources professionals, enabling the selection of highly qualified candidates
- Their role will be crucial in recruiting and hiring experienced eligibility candidates essential for the successful implementation of the program
- Additionally, they will assist in managing workforce stability by supplying a consistent stream of training staff

Qualifications and Experience

- [REDACTED] boasts a high-level screening process, monitoring the selection of quality employees who meet the specific needs of our project
- Their customizable staffing solutions, driven by a deep understanding of employment needs from an operational standpoint, make them a valuable partner for our project

Oversight of Subcontractor Activities

- We will maintain oversight of [REDACTED] Staffing's activities through regular monitoring and evaluation processes
- This will include frequent communication, performance reviews, and monitoring that their staffing solutions align with the specific requirements and standards of our project
- Our collaborative approach oversees that the staffing services provided by [REDACTED] are fully integrated with our project objectives, maintaining high-quality outcomes and operational efficiency

Contribution Details

- Headcount: 2 staff members
- Financial Involvement: Over the base contract, their participation accounts for \$469,611.29, representing 2.4% of the total contract value

The following organizational chart, Figure 5.9 -1, provides a visual representation of our team with subcontracting partners and the collaborative structure that drives the success of our initiatives.

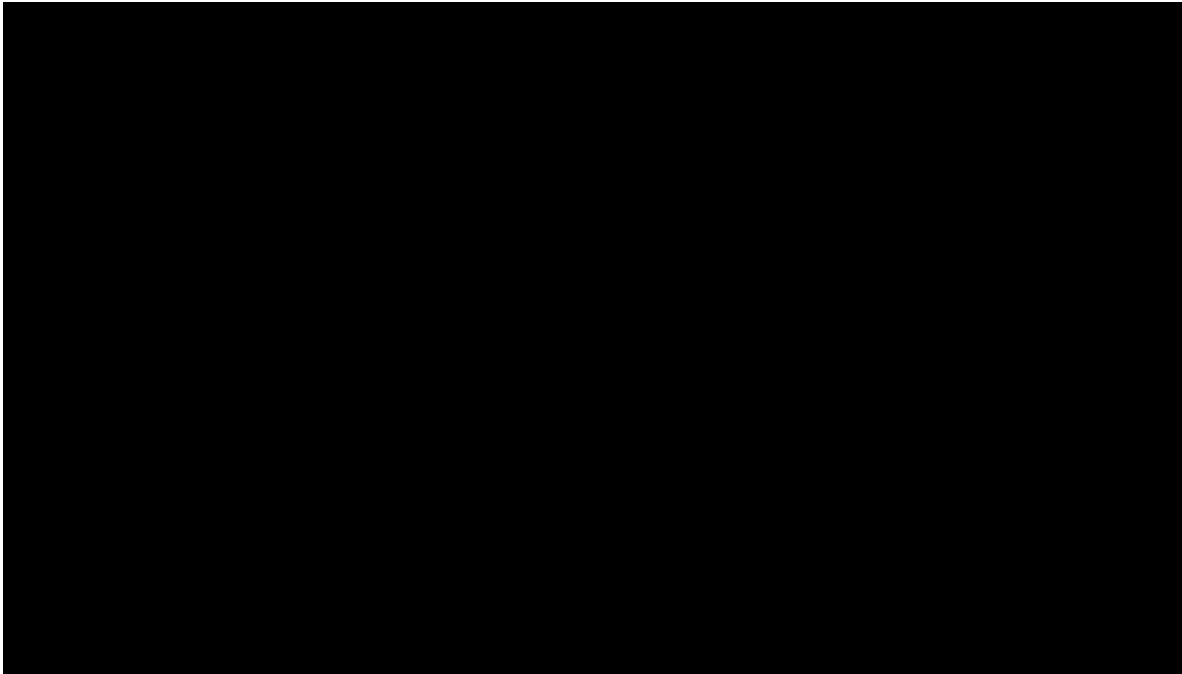


Figure 5.6-1. Comprehensive Oversight and Supervision Framework for Conduent's Management, Including Subcontractors

Per instructions in Attachment J, a copy of the executed subcontract is included on the following pages.

