CONDUENT

2020 Annual Report

Mission-critical Services and Solutions for Exceptional Outcomes

To My Fellow Shareholders

Cliff Skelton

We are clearly improving financial and operational performance.

2020 was a year like no other. And despite the many challenges that we all faced – as individuals, as a company, as a world – we worked hard and made it a good year for Conduent.

While Conduent was not exempt from the impact of COVID-19, we moved quickly to ensure that our associates were safe and that we were able to continue serving our clients and their end users. We are now a stronger, more agile company and are improving financial and operational performance every step of the way along our journey.

Our diversified business model also served us well this past year. Our experience in operating a robust work-from-anywhere operation enabled us to move rapidly to continue to meet our clients' needs.

In 2020, we achieved the revenue targets we set prior to the start of the pandemic, and we had very strong sales performance – with signings of more than $1.9 billion in total contract value. We not only kept our **people** safe and supported through this challenging time, but we also increased our commitment to making progress on Environmental, Social and Governance initiatives in 2020, with a strong focus on Diversity and Inclusion. We improved client relationships and drove utilization of shared services and best practices. We worked to standardize our governance **processes** and protocols for client implementations, risk and incident management and sales and account management. Our **technology** focus was on consistent, high-quality and secure service delivery through our IT command center, driving improvements in proactive platform monitoring and incident management protocols. Our delivery improved dramatically, and this is leading to a stronger market reputation. Industry analysts and advisors are confirming this through support and acknowledgment in their research and rankings.

We will drive **Growth, Efficiency** and **Quality** though continuous improvement in our people, processes and technology.

Our continued journey of progress builds upon our legacy as one of the original pioneers in the business process outsourcing space. Conduent brings deep and diversified expertise across a broad range of industry segments, and our vision – to become the leading business services partner of choice for businesses and governments globally – will be achieved as a result of that expertise. 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.

Our clients are at the heart of our mission and we are committed to their success. We will be measured by how our clients reward us with business resulting in **Growth**, how we expand our margins through **Efficiency** and how we maintain and improve that critical "ticket to play" called **Quality**.

Growth

We are focused on truly understanding our clients' business, strengthening our relationships and driving valuable outcomes that enable them to reduce costs and improve end-user satisfaction. Our clients have renewed contracts with us and given us more work in adjacent service lines, and we've gained new clients who have put their trust in us. Our financials exceeded expectations on both the top line and bottom line in 2020, and we had a significant improvement in our client satisfaction scores for the second year in a row. Driving our clients' success remains pivotal to our success.

Efficiency

We have simplified and standardized our operating model, removing unnecessary management layers and creating more robust processes to enable greater transparency. In addition, we drove process and technology efficiencies across our business and centralized service delivery where it reduced cost and improved processing time. We agilely responded to clients' shifting needs and received positive feedback from them for our resilient services throughout the COVID-19 pandemic.

Quality

Our clients count on consistent, high-quality service delivery. We made significant progress in improving platform uptime and operational readiness through technology investments and new talent. We continued making progress in consolidating our data centers into two world-class facilities, driving redundancy, stability and agility, and we improved the client implementation experience. These efforts significantly enhanced client confidence and retention.

We have more hard work ahead of us to continue our momentum. Going forward, we will assess our diverse portfolio and apply a differentiated investment strategy to optimize, enhance and expand our solutions as necessary based on the needs of our clients. We are focused on positioning Conduent for long-term success and driving value for clients and shareholders.

None of our success in 2020 could have been possible were it not for the dedication and resilience of our people, who exemplify a culture of teamwork, accountability and collaboration. Thank you for joining our Conduent team on this journey and for your continued support. We remain excited about what lies ahead for Conduent.

Cliff Skelton

Chief Executive Officer
Conduent Incorporated

An Essential Partner to 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 essential interactions with their end users.

Through people, process and technology such as analytics and automation, Conduent services and solutions create value for our clients by improving efficiencies, reducing costs and enabling revenue growth while creating streamlined and satisfying experiences for the millions they serve.

Our Clients and the Millions of People Who Count on Them

Transportation

Advancing 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.

- Reducing traffic congestion with dynamic parking solutions
- Processing nearly 9M tolling transactions every day
- Providing more than 45% of U.S. tolling and parking systems

Payments and Eligibility

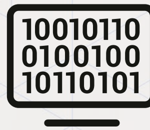
Delivering payment and eligibility services and solutions that reduce costs, increase program participation and improve compliance for agencies while providing intuitive, easy-to-use tools for the people and communities they serve.

- Lowering program costs through digital transformation
- Serving more than 54M cardholders with modern payment solutions
- Processing 45% of SNAP payments and 33% of child support payments

Healthcare

Providing administration, clinical support and medical management solutions across the healthcare ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experiences for members and patients.

- Recovering millions of dollars each year for health plans
- 3B pharmacy claims payments processed annually
- Interacting with 3/4 of all U.S. insured patients



Business Process Solutions

Transforming business processes by automating and streamlining operations across the enterprise through deep industry experience and the latest technology solutions, to drive efficiencies, improve security and enable revenue growth, while enhancing the end user experience.

- Significant savings from medical bill review for workers comp claims
- Faster processing speed through automation
- 10M global employees, participants and retirees supported

Customer Experience Management

Delivering omnichannel customer experience management services and solutions, both human and digital, throughout the customer life cycle, ensuring personalized, empathetic end-user experiences to reduce costs, enable scale and grow revenue, while driving insights, speed to resolution and customer satisfaction.

- Reducing interaction times through automation
- Substantial savings from lower handle times and consistent high quality
- 200M contact center interactions and 1B communications delivered annually

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 L.P.

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

Email: www.computershare.com/investor

Annual Meeting

Tuesday, May 25, 2021, 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 5, 2021 to shareholders of record as of March 26, 2021.

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, 2020

☐ **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	**81-2983623**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
100 Campus Drive, Suite 200, Florham Park, New Jersey	**07932**
(Address of principal executive offices)	(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

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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, 2020 was $499,054,949.

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, 2021
Common Stock, $0.01 par value	212,149,685

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain portions of the Registrant's Notice of 2021 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,” “intend,” “will,” "aim," “should,” "continue to," and similar expressions, as they relate to us, are intended to identify forward-looking statements. 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: 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; changes in the volatility of our stock price and the risk of litigation following a decline in the price of our stock; the impact of the ongoing COVID-19 pandemic; 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. 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 as a result of new information, subsequent events or otherwise, except as required by law.

CONDUENT INCORPORATED
FORM 10-K
December 31, 2020

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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 efficiencies, reducing costs and enabling revenue growth. A majority of Fortune 100 companies and over 500 government entities depend on us every day 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 end-user 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 2020, we administered bill review for 50% of the workers compensation medical claims in the U.S resulting in $16 billion of savings on behalf of our clients.

We serve a vast range of the public sector including market leading transportation and government solutions including payments and eligibility. For example, our systems process over 55% 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 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 63,000 associates globally as of December 31, 2020, we provide differentiated services to medium and large businesses and governments around the world.

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 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 grow their businesses. To capitalize on the growth opportunities, we are focused on the following strategies:

- **Sales Performance Optimization**: In 2019, we centralized sales activities under a Chief Revenue Officer and have been making steady investments in sales training and process improvements. 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. In 2020, we began efforts to enhance our delivery by bringing standardization in core services, creating efficiencies through automation and optimizing our cost structure by shifting to a shared services model. The dedication and expertise of our employees have resulted in Conduent serving a majority of Fortune 100 companies, including:

  - 17 of top 20 health plans,
  - 6 of top 10 pharma companies,
  - 6 of top 10 automakers, and
  - 9 of top 10 U.S. banks.

- **Cross-Sell and Bundling Opportunities**: Our sales organization is seeking to exploit cross-selling opportunities across our roster of clients, leveraging our portfolio of market-leading services and solutions, including customer care, finance and accounting services and human resources and learning services. Specific sales enablement training, marketing campaigns and sales incentive structures are being created to enable this initiative.

- **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 improved our quality and efficiency, our clients have renewed contracts with us and given us more work in adjacent service lines, and we've gained new clients who have put their trust in us. We have also had a significant improvement in our client Net Promotor scores for the second year in a row. Driving our clients' success has fueled our success. We are measuring more immediate success in "Growth" through revenue retention and new business signings, among other metrics. These changes have already started bearing fruit with new business signings increasing by 94% in 2020 compared to 2019.

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 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 various lines of business.

- **Technology Consolidation**: We are identifying and rationalizing duplicative technology systems across our lines of business. Centralizing technology systems will drive economies of scale, amplify the impact of investments, and will create consistent, resilient service delivery.

- **Delivery Optimization**: We are exploring several delivery optimization opportunities such as identifying common activities across our businesses and delivering them via shared service models, exploiting new staffing models including work for home and flexible "gig worker" models, and optimizing our geographic footprint.

We responded with agility to clients' shifting needs and 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 have made significant progress in reducing incidents, 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. In 2020, we opened a state-of-the-art global IT command center in Sandy, UT to deliver more seamless and reliable service to our global clients.

- **Data Center Optimization**: We are standardizing our technology footprint to improve performance and lower costs. As part of this, we have launched a data center optimization program to consolidate our multiple data centers into a select few.

- **Improve End User Experience**: We are improving user interface/user experience across our offerings by introducing 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. 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 support our pivot to growth. 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". Examples such as high-volume outbound print and mail services and contact center services fit in this category.

- 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 have the permission to play and win, and we see the payback as more significant than the other businesses. These businesses, augmented with new capabilities, perhaps 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 estimate our addressable market size in the global business process service industry to be over $200 billion in 2020, according to third-party industry reports. We consider ourselves to be a leader across several segments of this large, diverse and growing market by providing business process services spanning many industries.

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 innovation. 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.

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 2020 of $2.2 billion, representing 52% 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 2020 was $1.3 billion, representing 31% 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 2020 was $719 million, representing 17% 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 & Learning Services (HRLS).

- **Customer Experience Management**
    - We deliver a full range of customer contact services, including customer care, technical support, loyalty management, and outbound and inbound sales. Through multi-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 & life sciences, manufacturing & automotive, aerospace & defense, consumer goods, retail, technology & telecom, travel, transportation, and hospitality sectors. In 2020, we handled 196 million contact center interactions. 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 by automating and streamlining mission-critical operations through our deep industry experience and the latest technology solutions, to drive efficiencies, improve security and enable revenue growth, while enhancing the end-user experience. Our solutions span customer communications, document & data management, payments processing, and finance, accounting, and procurement. We generate revenue in a variety of ways within this business. Within the customer communication solution, our print and mail service fee is a blended rate per impression or itemized as a service and supplies rate. We also charge to create and send electronic forms of communication, or for postage services, hosting web portals, and for data storage for future retrieval for compliance reasons. Within the document & data management solution we generally generate revenue based on number of transactions completed. A transaction can be the handling of an envelope, a document, a page, or a piece of paper or can be billed based on time spent working on behalf of our clients. Within the Finance, Accounting, and Procurement (FAP) solution, we generate revenue by charging clients for Finance, Accounting & Procurement services rendered based on various methods including fixed price per employee, fixed price for all services rendered, variable price based on transactions processed, outcome based pricing based on achieving specific targeted performance and a hybrid of these pricing methods.

- In the BOS business, we also offer a range of Banking Operations solutions including lockbox management, check processing, and loan processing. For these services, we generate revenue by collections charges per productive hour of employees time, licensing fees for our Loan Manager platform, charges by the number of loans received on the Blitzdocs platform (mortgage processing) and by charging a fee for each check processed, among others.

- **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 to pharmaceutical clients; case management, performance management and patient safety for hospital clients; medical bill review, claims 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. 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 on-boarding through retirement. Our solutions span Health Savings Account Solutions, Benefits Solutions, HR & 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 & 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 who hold cash deposited into the Savings Account business.

  - As of December 31, 2020, we managed approximately 1 million 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, by transaction-based pricing for transactions such as qualified domestic relations orders, Consolidated Omnibus Budget Reconciliation Act (COBRA) and Affordable Care Act

(ACA) administration. Within our HR & 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.

- **Government Healthcare Solutions**
    - We provide 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 in 29 states and the District of Columbia. Seven of these states receive eligibility and enrollment services only. 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, disease surveillance and outbreak management, 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 or per interaction basis.

- **Government Service Solutions**
    - With more than $110 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 33 states, including 107 prepaid debit card programs, 26 Electronic Benefit Transfer (EBT) programs, 13 EBT for WIC programs and 7 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 U.S. in 2020 as well as the federal stimulus supplemental benefits, this solution saw significantly increased activity in 2020.

    - 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 2020, we processed over 6.3 million payments and collected over $525 million annually 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 large 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 for 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 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. managed healthcare plans and providing administrative and care management solutions to Medicaid programs and federally funded U.S. government healthcare programs in 29 states and the District of Columbia. Three out of every four U.S. insured patients are touched by Conduent. Conduent's healthcare capabilities have been recognized by NelsonHall, HfS Research, KLAS 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 3.3 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 22 countries including India, Philippines, Jamaica, Guatemala, Mexico, Romania, Dominican Republic and several locations within the United States, giving 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, 2020, 51% of our employees were located in high cost countries and 49% 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 are unique in our ability to offer our clients these business process services on a large scale and with high quality. Additionally, we are able to 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 a majority of the Fortune 100, many Fortune 1,000 companies and midsize businesses and many 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 on the basis of 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. Our competitors include:

- Large multinational service providers such as Accenture, Aon Hewitt, Cognizant, Hewlett-Packard Enterprise, TTEC and Teleperformance;
- Traditional business process outsourcing companies such as Genpact, EXL Services and Exela
- Human resource, payroll processing and human capital management providers such as ADP, Paychex, Alight and Willis Towers Watson;
- Healthcare-focused IT and service solutions providers such as Cerner, Optum and Maximus;
- HSA administrators such as Health Equity, HSA Bank and WexHealth;
- U.S. Federal focused government services such as CACI International and DXC Technology;
- Transportation multi-nationals such as Roper/TransCore, Cubic, Kapsch 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. We own approximately 1,020 patents and 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 62 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

We draw on the skills, expertise, and experience of our talented and diverse global workforce to deliver mission-critical services and solutions that drive exceptional client outcomes. We have approximately 63,000 associates in 22 countries working towards a common vision and purpose, with 45% located in North America and the remainder located primarily in our delivery centers in Asia Pacific, Latin America and Caribbean, and Europe. Our three reportable segments, Commercial Industries, Government Services and Transportation house the majority of our associates with approximately 45,000, 6,000 and 3,000 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.

Conduent’s diversity and inclusion efforts are central in creating an engaging culture for all associates, providing a competitive advantage in serving our clients, and growing our business. We furthered our commitment to D&I in several ways over the past year including naming a Global Head of Diversity and Inclusion, Walter Frye, reporting directly to our Chief Executive Officer. Mr. Frye, who in partnership with leaders and functions across our global locations, will lead our efforts to launch new strategies that will enhance D&I practices and capabilities. We also relaunched seven Employee Impact Groups to engage our associates, and live our core value of being open and inclusive. As of December 31, 2020, the percentage of females in our global workforce exceeds gender parity.

Employee Learning & Development

As a services company, we believe our people 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. As a result, we have been successful in building a culture of continuous learning, with employees taking charge of their learning & development. In addition to our digital platforms, employees are also provided job-specific technical training when they are onboarded and during the course of their professional journey as required. Our learning platforms have wide adoption with about 2.47 million learning assets completed in 2020 with strong learning effectiveness scores

for satisfaction, skill improvement and application of learning on the job. We also ensure that our employees complete regulatory and compliance training on topics required based on their role and geography.

COVID-19

Throughout the Coronavirus (or COVID-19) pandemic, the Conduent team has continued to provide critical and best-in-class services to our clients and their end users, while ensuring the health and safety of our greatest asset, our associates.

We have been extremely focused on creating the safest possible working environments for our associates. We demonstrated our resiliency by quickly enabling approximately 75% of our employees to work from home through improved digital solutions. We implemented stringent safety protocols at all our operational sites, including frequently and thoroughly cleaning all facilities, modifying our workspaces to allow for physical distancing, mandating face coverings, providing personal protective equipment (PPE) to associates, requiring pre-entry daily health screening, and leveraging Maven, our proprietary platform, for case management and contact tracing. We have continued taking steps to connect our associates with resources that support their health and well-being. Conduent associates have access to several mental health and well-being resources, including free monthly webinars through our benefits provider. We also revised our time off policies to provide our associates more options to take time off for COVID-19 related sickness or hardships. The feedback from our associates throughout the pandemic has been very positive, especially in terms of our efforts to provide a safe work environment.

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.

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 24, 2021.

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*	65	Chief Executive Officer	2019	2019
Mark Brewer	56	Executive Vice President, Transportation & Head of Enterprise Accounts	2020	2019
Louis Keyes	53	Executive Vice President, Chief Revenue Officer	2020	2020
Michael Krawitz	51	Executive Vice President, General Counsel & Secretary	2019	2019
Mark Prout	57	Executive Vice President, Chief Information Officer	2019	2020
Brian J. Webb-Walsh	45	Executive Vice President & Chief Financial Officer	2017	2017
Stephen Wood	54	Vice President, Corporate Controller	2020	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 24, 2021, 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 and Chief Executive Officer of Conduent in August 2019. 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. 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. Michael 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. Webb-Walsh has served as the Chief Financial Officer of Conduent since 2017. He served as the Chief Financial Officer of Xerox Services between January 2016 and December 2016. Prior to this, Mr. Webb-Walsh was Senior Vice President of Finance for the Government Healthcare Group and the Platform Development and Systems Integration Group of Xerox Services. Mr. Webb-Walsh joined Xerox Corporation in 1997 and held a variety of leadership positions there.

Mr. Wood has served in his current role as the Company's Corporate Controller since August 2020 and was designated as its Principal Accounting Officer effective December 2020. Prior to joining the Company, 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 a number of 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 (e.g., Congressional sequestration of funds under the Budget Control Act of 2011) 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.

In order 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 (1) do not meet their service level obligations, (2) do not meet our or our clients' expectations, (3) terminate or refuse to renew their relationships with us, or (4) 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. In order 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. In particular, 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.

In order 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 as a result 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 as a result 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, in the course of 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 a number 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 completely 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 HIPPA 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 noncompliance 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 in order 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, we may not be compliant now, 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 period 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 17 – 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 17 – 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, 2020, our goodwill balance was $1.5 billion, which represented 35.9% of total consolidated assets. Refer to Note 9 – 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 a number of 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, including accounts receivable;
- 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 the 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. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, announced replacement of U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question and the future of LIBOR at this time is uncertain. If LIBOR rates are no longer available, our costs of borrowings under our credit facilities may be negatively impacted, 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.

In order 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 a number of 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 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, as a result 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 as a result 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, continued emergence of new strains of COVID-19, 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. 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, 2020 was approximately 5.9 million square feet at an annual operating cost (lease costs and expenses) of approximately $158 million and was composed of 207 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 0.6 million square feet of our leased and owned properties that became surplus in 2020 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 0.8 million square feet of the surplus property portfolio were resolved during the year ended December 31, 2020. 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 17 – 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".

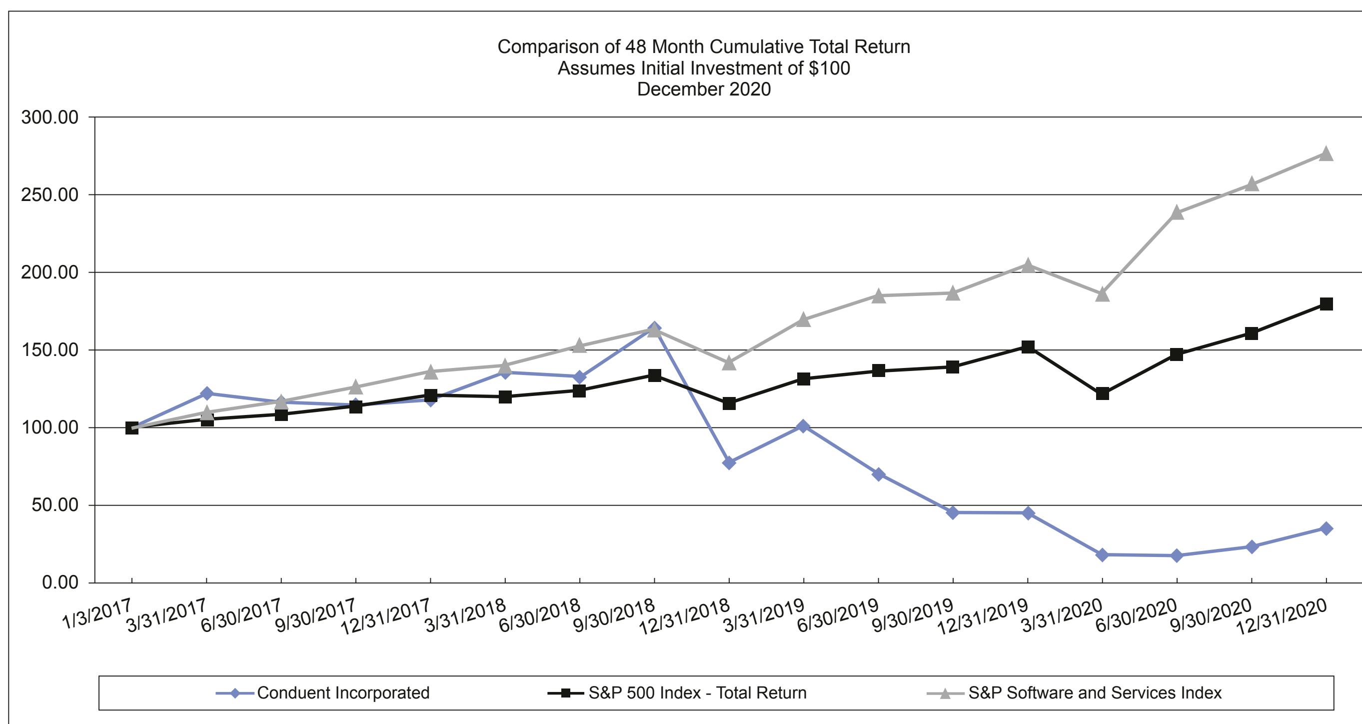
Common Shareholders of Record

There were 24,475 shareholders of record as of January 31, 2021.

Conduent Common Stock Dividends

We did not pay any dividends on our common stock in 2020. 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, 2020

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. SELECTED FINANCIAL DATA

In accordance with amendments to Regulation S-K effective February 10, 2021, we have elected to early apply the guidance allowing for the omission of selected financial data for each of the five prior fiscal years.

QUARTERLY RESULTS OF OPERATIONS (Unaudited)

(in millions, except per-share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2020					
Revenues	$ 1,051	$ 1,016	$ 1,041	$ 1,055	$ 4,163
Costs and Expenses	1,102	1,080	1,054	1,066	4,302
Loss before Income Taxes	(51)	(64)	(13)	(11)	(139)
Income tax (benefit) expense	(2)	(13)	(6)	—	(21)
Net Loss	$ (49)	$ (51)	$ (7)	$ (11)	$ (118)
Loss per Share[2]:					
Basic	$ (0.24)	$ (0.25)	$ (0.04)	$ (0.07)	$ (0.61)
Diluted	$ (0.24)	$ (0.25)	$ (0.04)	$ (0.07)	$ (0.61)
2019					
Revenues	$ 1,158	$ 1,112	$ 1,098	$ 1,099	$ 4,467
Costs and Expenses[1]	1,496	2,231	1,112	1,734	6,573
Loss before Income Taxes	(338)	(1,119)	(14)	(635)	(2,106)
Income tax (benefit) expense	(30)	(90)	2	(54)	(172)
Net Loss	$ (308)	$ (1,029)	$ (16)	$ (581)	$ (1,934)
Loss per Share[2]:					
Basic	$ (1.49)	$ (4.94)	$ (0.09)	$ (2.76)	$ (9.29)
Diluted	$ (1.49)	$ (4.94)	$ (0.09)	$ (2.76)	$ (9.29)

(1) First quarter, second quarter, fourth quarter and full year 2019 include goodwill impairment charge of $284 million, $1.1 billion, $601 million and approximately $2.0 billion, respectively. Refer to Note 9 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements included in Item 8 of this Form 10-K for further discussion.

(2) The sum of quarterly loss per share may differ from the full-year amounts due to rounding.

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 help the reader understand the results of operations and financial condition of Conduent. 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, 2020. This MD&A provides additional information about our operations, current developments, financial condition, cash flows and results of operations.

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 $4.2 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 63,000 people as of December 31, 2020, servicing customers from service centers in 22 countries. In 2020, 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 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 Senior Credit Facility (Revolver) 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.

Significant 2019 Actions

- **Business acquisition** – 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. Refer to Note 5 – Business Acquisition to the Consolidated Financial Statements for additional information regarding this acquisition.

- **Disposition** – In February 2019, we completed the sale of a portfolio of select standalone customer care contracts for $25 million. The business sold represented $36 million and $439 million of revenues in 2019 and 2018, respectively. Refer to Note 4 – Divestiture to the Consolidated Financial Statements for additional information regarding this sale.

- **Litigation settlement** – 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 paid in January 2020. Refer to Note 17 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding this litigation settlement.

- **Goodwill impairment** – During 2019, we performed interim goodwill impairment assessments for all our reporting units which resulted in a cumulative impairment charge of $2.0 billion. Refer to Note 9 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for details regarding the facts and circumstances that led to this impairment charge.

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 year, which includes:

- Supporting our associates with a number of 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 2020, approximately 75% of our workforce had shifted to work-from-home. We will start a slow and measured approach to bring associates back to our offices, as appropriate. This will be a phased process 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.

For the year ended December 31, 2020, we estimated an $85 million unfavorable impact on revenue was attributable to the COVID-19 pandemic or COVID-19 related effects. In addition to reductions in certain direct costs, we also achieved certain temporary cost savings associated with our cost reduction program which were estimated to be $59 million for the year ended December 31, 2020. These temporary cost actions were primarily driven by pandemic related furloughs, reduced travel, vendor and facilities spend. The estimated effect of the COVID-19 pandemic on our pre-tax income, which includes the net revenue impact, incremental costs and benefit from temporary cost savings was a reduction of $23 million for the year ended December 31, 2020.

Refer to the discussion of results of operations below for additional discussion of COVID-19 pandemic related effects.

Critical Accounting 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 the 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.

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 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. 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 operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate 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. Refer to Note 1 – Basis of Presentation and Summary of Significant Accounting Policies for additional information regarding our lease accounting policies.

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.

Intangible Assets

The fair values of identifiable intangible assets are primarily estimated using an income approach. These estimates include market participant assumptions and require projected financial information, including assumptions about future revenue growth and costs necessary to facilitate the projected growth. Other key inputs include assumptions about technological obsolescence, customer attrition rates, brand recognition, the allocation of projected cash flows to identifiable intangible assets and discount rates. We regularly review for impairment intangible assets with finite lives whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- significant negative industry or economic trends.

When we determine that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, we assess whether an impairment has occurred based on whether net book value of the assets exceeds the related projected undiscounted cash flows from these assets groups. We consider a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles in estimating future cash flows. Differing estimates and assumptions as to any of the factors described above could result in a materially different impairment charge, if any, and thus materially different results of operations.

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.

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, 2020.

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 assumption used in the goodwill analysis relates to the discount rates (ranging from 12.25% to 13.00%) 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, 2020.

During 2019, we performed interim goodwill impairment assessments for all our reporting units which resulted in a cumulative impairment charge of $2.0 billion. Refer to Note 9 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for details regarding the facts and circumstances that led to this impairment charge.

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. In the event that 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 $294 million and $309 million had valuation allowances of $83 million and $72 million at December 31, 2020 and 2019, 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, $24 million and $20 million at December 31, 2020, 2019 and 2018, respectively.

Refer to Note 16 – 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 17 – 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.

Other Developments

SEC Rule - Modernize and Enhance Management's Discussion and Analysis and other Financial Disclosures

In November 2020, the SEC adopted amendments to modernize, simplify and enhance certain financial disclosures called for by Regulation S-K, and related rules and forms, in a manner that reduces the costs and burdens on registrants while continuing to provide material information to investors. The amendments are also designed to improve the readability and navigability of disclosure documents, and discourage repetition and disclosure of immaterial information.

The provisions of the rule that have the most significant impact on our disclosures under Regulation S-K and the content of this Form 10-K include: (i) elimination of the requirement to include a five year financial highlights table in the Form 10-K; (ii) amending the requirement to present quarterly financial information for the two most recent years in tabular form to a principals-based approach to discuss material retrospective changes; (iii) elimination of the requirement to present a tabular summary of contractual obligations; (iv) adding a requirement to state the principal objectives of the MD&A; and (v) adding a requirement to present and discuss critical accounting estimates in the MD&A.

We will be required to comply with these amendments for our Form 10-K for the year ended December 31, 2021. Early application is permitted for each amended item. We have elected to apply the guidance to eliminate the disclosure of the five-year highlights for this Form 10-K for the year ended December 31, 2020.

Financial Information

The section below provides a comparative discussion of our consolidated results of operations for the year ended December 31, 2020 and 2019. See Item 7. MD&A–Financial Information in our Annual Report on Form 10-K for the year ended December 31, 2019, for a comparative discussion of our consolidated results of operations between 2019 and 2018.

	Year Ended December 31,		2020 vs. 2019	
(in millions)	2020	2019	$ Change	% Change
Revenue	$ 4,163	$ 4,467	$ (304)	(7)%
Operating Costs and Expenses				
Cost of services (excluding depreciation and amortization)	3,209	3,494	$ (285)	(8)%
Selling, general and administrative (excluding depreciation and amortization)	468	479	$ (11)	(2)%
Research and development (excluding depreciation and amortization)	1	8	(7)	(88)%
Depreciation and amortization	459	459	—	— %
Restructuring and related costs	67	71	(4)	(6)%
Interest expense	60	78	(18)	(23)%
Goodwill impairment	—	1,952	(1,952)	n/m
Loss on divestitures and transaction costs	17	25	(8)	(32)%
Litigation costs, net	20	17	3	18 %
Other (income) expenses, net	1	(10)	11	(110)%
Total Operating Costs and Expenses	**4,302**	**6,573**	**(2,271)**	
Loss Before Income Taxes	(139)	(2,106)	1,967	
Income tax expense (benefit)	(21)	(172)	151	
Net Loss	**$ (118)**	**$ (1,934)**	**$ 1,816**	

Revenue

Revenue for 2020 decreased, compared to the prior year, mainly driven by lost business and the effects of the COVID-19 pandemic across our Commercial and Transportation segments. These were partially offset by increases from the ramp of new business and increases in COVID-19 related revenues in our Government segment.

We estimated approximately $85 million of the revenue decline for the year was attributable to the net effect of the COVID-19 pandemic or COVID-19 related effects.

Cost of Services (excluding depreciation and amortization)

Cost of services for 2020 decreased, compared to the prior year, mainly driven by lost business, our efficiency initiatives and cost actions. Also contributing to the decline were lower costs to support volume loss resulting from the effects of the COVID-19 pandemic.

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

SG&A for 2020 declined, compared to the prior year, mainly driven by reductions in real estate costs, lower corporate overhead costs and reductions in labor costs, including reductions in 401(k) costs, partially offset by increases in certain other employee costs.

Depreciation and Amortization

Depreciation and amortization (D&A) for 2020 was flat compared to the prior year due to D&A on new capital expenditure spend being offset by the run-off of D&A on older assets.

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:

	Year Ended December 31,	
(in millions, except headcount in whole numbers)	2020	2019
Severance and related costs	$ 14	$ 28
Data center consolidation	23	21
Termination, asset impairment and other costs	22	18
Total Net Current Period Charges	59	67
Consulting and other costs[1]	8	4
Restructuring and Related Costs	$ 67	$ 71
Reduction in headcount[2]	1,600	1,300

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(1) Represents professional support costs associated with certain strategic transformation programs.
(2) Relates to headcount reductions worldwide associated with Severance and related costs

Refer to Note 10 – 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 2020, compared to the prior year, was driven primarily by lower interest rates, partially offset by a higher average debt balance that resulted from the $150 million withdrawn from our Senior Revolving Credit Facility (Revolver) in March 2020. Refer to Note 12 – Debt to the Consolidated Financial Statements for additional information.

Goodwill Impairment

There was no goodwill impairment identified for 2020. The goodwill impairment for 2019 related to the write-down of the carrying values of all of the reporting units. Refer to Note 9 – Goodwill and Intangible Assets, Net to the Consolidated Financial Statements for additional information.

Loss on Divestitures and Transaction Costs

The costs included in 2020 amount consist of professional fees related to the strategic review by the Company's Board of Directors and reserves for certain divestiture related litigation. The costs in 2019 consist of transaction and related costs, changes in estimates related to losses on divestitures and a loss on sale of assets.

Litigation Costs, Net

Net litigation costs for 2020 primarily consist of reserves for various matters that are subject to litigation and costs related to certain reimbursement matters with our former parent company, Xerox Corporation. Net litigation costs for 2019 consist primarily of the recognition of the $13 million discount on the fair value of the Texas litigation liability established in 2018, due to the 2019 acceleration of the payment terms of the settlement.

Refer to Note 17 – Contingencies and Litigation to the Consolidated Financial Statements for additional information.

Other (Income) Expenses, Net

Other (income) expenses, net primarily includes foreign currency transaction losses (gains), interest income and the Student Loan business shut-down costs.

Income Taxes

The 2020 effective tax rate was 15.1%, compared to 8.2% for 2019. The 2020 rate was lower than the U.S. statutory rate of 21% primarily due to geographic mix of income, tax settlements and valuation allowances partially offset by tax credits. The 2019 rate was lower than the statutory rate, primarily due to the goodwill impairment charge being partially non-deductible for tax and the geographic mix of income, partially offset by U.S. federal tax credits and tax benefits recognized on the sale of a portfolio of select standalone customer care contracts to Skyview Capital LLC.

Excluding the impact of amortization, restructuring and discrete tax items the normalized effective tax rate for 2020 was 27.3%. The normalized effective tax rate of 30.0% for 2019, was predominately impacted by the exclusion of the impact of goodwill impairment, divestitures, the Texas litigation reserve, amortization and restructuring. The decline in the normalized effective tax rate from 2019 to 2020 is attributable to an increase in tax credits, favorable changes to certain U.S. tax rules and geographic mix of income in 2020.

The Company believes it is reasonably possible that unrecognized tax benefits of approximately $14 million will reverse within 12 months due to anticipated audit settlements.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act provides for various tax relief and tax incentive measures. The payment of the employer share of payroll taxes for the remainder of 2020 was deferred to 2021 and 2022 under the CARES Act, which provided a temporary operating cash flow benefit. The CARES Act also retroactively allowed for the immediate recovery of qualified improvement property (QIP) costs rather than over a 39 year recovery period, resulting in additional tax deductions for 2018 and 2019. Lastly, the CARES Act provided an elective five-year carry back for net operating losses (NOLs) incurred in taxable years starting after December 31, 2017, and before January 1, 2021. This allowed the Company to carry back the loss it incurred in 2019 to 2018, resulting in a tax refund.

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, 2020 and 2019. As described in Note 3 – Segment Reporting to our Consolidated Financial Statements, in 2020 we realigned our 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. All prior periods presented have been recast to reflect these changes. We include a discussion of our recast financial performance by segment for the years ended December 31, 2019 and 2018 immediately after the discussion of financial performance for the years ended December 31, 2020 and 2019 below.

Segment Performance Review - 2020 compared to 2019

(in millions)	Commercial Industries	Government Services	Transportation	Other		Unallocated Costs	Total
Year Ended Dec 31, 2020				Divestitures	Other		
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 %	17.2 %	— %	— %	— %	100.0 %
Adjusted EBITDA Margin	11.9 %	31.0 %	16.3 %	— %	— %	— %	11.5 %
Year Ended Dec 31, 2019							
Total Revenue	$ 2,385	$ 1,263	$ 781	$ 36	$ 2	$ —	$ 4,467
Segment profit (Loss)	$ 270	$ 279	$ 69	$ 1	$ (1)	$ (345)	$ 273
Adjusted EBITDA	$ 376	$ 311	$ 108	$ 1	$ (1)	$ (301)	$ 494
% of Total Revenue	53.4 %	28.3 %	17.5 %	0.8 %	— %	— %	100.0 %
Adjusted EBITDA Margin	15.8 %	24.6 %	13.8 %	2.8 %	(50.0)%	— %	11.1 %

Commercial Industries Segment

Revenue

Commercial Industries revenue for 2020 decreased, compared to the prior year, due to an estimated $158 million of negative COVID-19 impacts as well as prior year lost business. This pressure was partially offset by new business ramp. The COVID-19 impact is primarily due to the following year-over-year changes: 1) lower transaction processing volumes for clients within our BOS service offering, 2) reduced workers compensation claims and commercial healthcare claims processing in our Commercial Healthcare Solutions service offering, 3) reduced revenue from our HSA offering "BenefitWallet" (within our HRLS business) as a result of interest rate reductions, 4) slightly reduced call volumes within our CXM service offering across travel and retail clients, and 5) COVID-19 related delays of new business ramp across multiple clients and offerings.

Segment Profit and Adjusted EBITDA

Decreases in the Commercial Industries segment profit and adjusted EBITDA for 2020, compared to the prior year, were mainly driven by overall revenue declines, one-time items, certain employee costs and the adverse effects of the COVID-19 pandemic, partially offset by reductions from the cost savings program.

Government Services Segment

Revenue

Government Services revenue for 2020 increased, compared to the prior year, primarily driven by an estimated $149 million of COVID-19 related benefit. These increases were partially offset by prior year contract losses. The COVID-19 benefit is largely driven by the following year-over-year changes: 1) increases in the Supplemental Nutrition Assistance Program (SNAP) volumes and Pandemic SNAP volumes, 2) an increase in the number of citizens to which we distribute unemployment insurance benefits, and 3) incremental additional unemployment insurance benefit distributions provided by the CARES Act.

Segment Profit and Adjusted EBITDA

Increases in the Government Services segment profit and adjusted EBITDA for 2020, compared to the prior year, were primarily driven by higher margin revenue mix due to COVID-19, the cost savings program and lower IT costs associated with contract losses.

Transportation Segment

Revenue

Transportation revenue for 2020 decreased, compared to the prior year, primarily driven by an estimated $76 million of negative COVID-19 related volume impacts as well as lost business, partially offset by the ramp of new business. The COVID-19 related impacts were primarily driven by volume pressure in the Curbside Management Solutions and Roadway Charging & Management service offerings, as well as volume pressure and project delays in the Transit Solutions service offering.

Segment Profit and Adjusted EBITDA

Transportation segment profit and adjusted EBITDA for 2020 increased, compared to the prior year, primarily driven by the cost savings program and revenue mix.

Other

Revenue

Other revenue for 2020 decreased, compared to the prior year, driven mainly by the divestiture completed in early 2019.

Segment Profit (Loss) and Adjusted EBITDA

Increase in Other segment profit for 2020 compared to the prior year, was primarily due to the adjustment to the remaining California Medicaid Management Information System settlement liability of $7 million as a result of the contract expiration in March 2020. This benefit was removed from adjusted EBITDA for segment reporting purposes due to its non-recurring nature.

Unallocated Costs

Improvements in adjusted EBITDA within our Unallocated Costs for 2020, compared to the prior year, were mainly driven by the efficiencies created by the cost reduction initiative, partially offset by an increase in costs incurred due to the effects of the COVID-19 pandemic and an increase in certain employee costs.

Segment Performance Review - 2019 compared to 2018

(in millions)	Commercial Industries	Government Services	Transportation	Other		Unallocated Costs	Total
Year Ended December 31, 2019				Divestitures	Other		
Total Revenue	$ 2,385	$ 1,263	$ 781	$ 36	$ 2	$ —	$ 4,467
Segment profit (Loss)	$ 270	$ 279	$ 69	$ 1	$ (1)	$ (345)	$ 273
Adjusted EBITDA	$ 376	$ 311	$ 108	$ 1	$ (1)	$ (301)	$ 494
% of Total Revenue	53.4 %	28.3 %	17.4 %	0.8 %	— %	— %	100.0 %
Adjusted EBITDA Margin	15.8 %	24.6 %	13.8 %	2.8 %	(50.0)%	— %	11.1 %
Year Ended December 31, 2018							
Total Revenue	$ 2,550	$ 1,351	$ 729	$ 752	$ 11	$ —	$ 5,393
Segment profit (Loss)	$ 346	$ 296	$ 61	$ 98	$ (4)	$ (375)	$ 422
Adjusted EBITDA	$ 454	$ 328	$ 99	$ 105	$ (2)	$ (344)	$ 640
% of Total Revenue	47.3 %	25.1 %	13.5 %	13.9 %	0.2 %	— %	100.0 %
Adjusted EBITDA Margin	17.8 %	24.3 %	13.6 %	14.0 %	(18.2)%	— %	11.9 %

Commercial Industries Segment

Revenue

Commercial Industries revenue for 2019 decreased, compared to the prior year, primarily driven by contract losses, volume pressure, price pressure upon renewals, strategic exits and currency fluctuations. These losses were partially offset by revenue from new contracts.

Segment Profit and Adjusted EBITDA

Decreases in the Commercial Industries segment profit and adjusted EBITDA margin for 2019, compared to the prior year, were mainly driven by the overall revenue declines, partially offset by reductions in labor and real estate costs from our efficiency initiatives.

Government Services Segment

Revenue

Government Services revenue for 2019 decreased, compared to the prior year, primarily driven by contract losses and pricing and scope changes associated with a large renewal. These declines were partially offset by ramp of new business.

Segment Profit and Adjusted EBITDA

Decreases in the Government Services segment profit and adjusted EBITDA margin for 2019, compared to the prior year, were mainly driven by lower revenue, partially offset by lower IT and delivery costs.

Transportation Segment

Revenue

Transportation revenue for 2019 increased, compared to the prior year, primarily driven by ramp of new business and volume increases.

Segment Profit and Adjusted EBITDA

Transportation segment profit and adjusted EBITDA margin for 2019 increased, compared to the prior year, mainly driven by increased revenue and reduced labor and real estate costs from our efficiency initiatives.

Other

Revenue

Other revenue for 2019 decreased, compared to the prior year, driven mainly by the divestitures completed in 2018 and 2019 and the run-off of our Student Loan Services business.

Segment Profit (Loss) and Adjusted EBITDA

Decreases in Other segment profit and adjusted EBITDA for 2019, compared to the prior year, were primarily due to divestitures completed in 2019 and 2018 and the run-off of our Student Loan Services business.

Unallocated Costs

Improvements in segment loss and adjusted EBITDA within our Unallocated Costs for 2019, compared to the prior year, were mainly due to reductions in IT and corporate overhead costs.

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, 2020, the Company signed $1,934 million of new business, representing a 94% increase compared to the prior year. Renewal TCV for the year ended December 31, 2020 was $2,809 million, an increase of 26% compared to the prior year.

The amounts in the following table exclude divestitures.

(in millions)	Year Ended December 31, 2020	2019	2020 vs. 2019 $ Change	% Change
New business TCV	$ 1,934	$ 996	$ 938	94 %
Renewals TCV	2,809	2,230	579	26 %
Total Signings	$ 4,743	$ 3,226	$ 1,517	47 %
New business annual recurring revenue (ARR) signings[(1)]	$ 353	$ 281	$ 72	26 %
New business non-recurring revenue (NRR) signings[(2)]	$ 255	$ 166	$ 89	54 %

(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.

Total signings for 2020 increased, compared to the prior year, primarily due to strong conversion of the pipeline as a result of centralizing the sales organization, new sales leadership, top-grading and expanding of sales headcount, new sales bidding processes, and a simplified go-to-market strategy, among other initiatives.

Capital Resources and Liquidity

As of December 31, 2020 and 2019, total cash and cash equivalents were $450 million (of which approximately $150 million was cash in foreign locations) and $496 million (of which approximately $124 million was cash in foreign locations), respectively. The Company also has a $750 million revolving line of credit for its various cash needs, of which $7 million has been utilized for letters of credit as of December 31, 2020.

As of December 31, 2020, there were $1.5 billion outstanding borrowings under our Credit Agreement of which $82 million was due within one year. Refer to Note 12 – 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. Refer to Note 5 – Business Acquisition to the Consolidated Financial Statements for additional information regarding this acquisition.

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 paid in January 2020. Refer to Note 17 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding this litigation settlement.

Refer to the *Capital Market Activity* section below for additional information regarding our capital activity.

Cash Flow Analysis

The following summarizes our cash flows for the two years ended December 31, 2020, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions)	Year Ended December 31, 2020	2019	Change 2020 vs. 2019
Net cash provided by (used in) operating activities	$ 161	$ 132	$ 29
Net cash provided by (used in) investing activities	(134)	(310)	176
Net cash provided by (used in) financing activities	(74)	(85)	11

Operating Activities

The net improvement in cash flow from operating activities of $29 million, compared to the prior year, was primarily attributable to the deferral of payroll taxes allowed by the CARES Act and other COVID-19 related relief of $57 million, lower income tax payments of $47 million and other working capital changes of $44 million, partially offset by the timing of collection of receivables of $119 million.

Investing Activities

The decrease in cash used in investing activities of $176 million, compared to the prior year, was primarily due to the HSP acquisition in 2019 and decreased spending for capital expenditures. Spending related to modernizing our IT infrastructure for both customer-facing and internal functions continued but was on a downward trajectory compared to the higher 2019 and 2018 levels.

Financing Activities

The decrease in cash used in financing activities for 2020, compared to the prior year, was primarily due to lower tax payments related to stock compensation of $10 million for the year ended December 31, 2020, compared to $21 million for the prior year.

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, 2020, 2019 and 2018 was $(22) million, $51 million and $23 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: (i) collections prior to the end of the year and (ii) currency.

Financial Instruments

Refer to Note 13 – Financial Instruments to the Consolidated Financial Statements for additional information.

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

At December 31, 2020, we had the following contractual cash obligations and other commercial commitments and contingencies:

(in millions)	2021	2022	2023	2024	2025	Thereafter
Total debt, including finance lease obligations[1]	$ 90	$ 598	$ 804	$ 36	$ —	$ —
Interest on debt[2]	42	41	30	9	5	—
Minimum operating lease commitments[3]	95	71	47	37	27	59
Estimated Purchase Commitments[4]	67	24	11	3	—	—
Total	$ 294	$ 734	$ 892	$ 85	$ 32	$ 59

(1) Total debt represents principal debt and finance leases. Refer to Note 12 – Debt to the Consolidated Financial Statements for additional information regarding debt.
(2) Refer to Note 12 – Debt in the Consolidated Financial Statements for additional information.
(3) Refer to Note 8 – Leases to the Consolidated Financial Statements for additional information.
(4) We enter other purchase commitments with vendors in the ordinary course of business, generally IT-related expenditures. Our policy with respect to all purchase commitments is to record losses, if any, when they are probable and reasonably estimable. We currently do not have, nor do we anticipate, material loss contracts.

Other Contingencies and Commitments

As more fully discussed in Note 17 – 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, customers and non-consolidated affiliates. 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.

Off-Balance Sheet Arrangements

As of December 31, 2020, 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 table for the Company's contractual cash obligations and other commercial commitments and Note 17 – Contingencies and Litigation to the Consolidated Financial Statements for additional information regarding contingencies, guarantees and indemnifications.

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, through the use of 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 13 – 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, 2020, 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, 2020. A 10% appreciation or depreciation of the U.S. Dollar against all currencies from the quoted foreign currency exchange rates at December 31, 2020 would have an impact on our cumulative translation adjustment portion of equity of approximately $60 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 $596 million at December 31, 2020.

Interest Rate Risk Management

The consolidated weighted-average interest rates related to our total debt for 2020 approximated 2.34% for Term A Loan due 2022, 3.82% for Term B Loan due 2023, 10.90% for Senior Notes due 2024 and 5.29% for finance lease obligations. As of December 31, 2020, $1,470 million of our total debt of $1,528 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, 2020, a 10% increase in market interest rates would decrease the fair values of such financial instruments by less than $1 million. A 10% decrease in market interest rates would increase the fair values of such financial instruments by less than $1 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, 2020 and 2019, 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, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, 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 and the manner in which it accounts for revenues from contracts with customers in 2018.

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

As described in Notes 1 and 9 to the consolidated financial statements, the Company's consolidated goodwill balance was $1,528 million as of December 31, 2020. The goodwill associated with the Commercial Industries reportable segment, Government Services reportable segment and Transportation reportable segment was $837 million, $623 million and $68 million, respectively. 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, 2020. 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, 2020. As disclosed by management, the most significant assumptions used in the goodwill analysis relate to the long-term organic growth rates as well as the discount rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are (i) the significant judgment by management when determining the fair value measurement of the reporting units; (ii) a high degree of auditor judgment, effort, and subjectivity in performing procedures to evaluate management's cash flow projections and significant assumptions related to the long-term organic growth rates 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 Company's reporting units. These procedures also included, among others, testing management's process for determining the fair value estimate; evaluating the appropriateness of the discounted cash flow analysis;

testing the completeness, accuracy and relevance of underlying data used in the estimate; and evaluating the significant assumptions used by management related to the long-term organic growth rates and the discount rates. Evaluating management's assumptions related to the long-term organic growth rates involved evaluating whether the assumptions used were reasonable considering (i) the current and past performance of each reporting unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were 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 Company's discounted cash flow analysis and certain significant assumptions, including the discount rates.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 24, 2021

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	/s/ BRIAN WEBB-WALSH	/s/ STEPHEN WOOD
Chief Executive Officer	**Chief Financial Officer**	**Corporate Controller & Principal Accounting Officer**

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in millions, except per-share data)	Year Ended December 31, 2020	2019	2018
Revenue	$ 4,163	$ 4,467	$ 5,393
Operating Costs and Expenses			
Cost of services (excluding depreciation and amortization)	3,209	3,494	4,182
Selling, general and administrative (excluding depreciation and amortization)	468	479	560
Research and development (excluding depreciation and amortization)	1	8	11
Depreciation and amortization	459	459	460
Restructuring and related costs	67	71	81
Interest expense	60	78	112
Loss on extinguishment of debt	—	—	108
Goodwill impairment	—	1,952	—
Loss on divestitures and transaction costs	17	25	42
Litigation costs, net	20	17	227
Other (income) expenses, net	1	(10)	5
Total Operating Costs and Expenses	4,302	6,573	5,788
Loss Before Income Taxes	(139)	(2,106)	(395)
Income tax expense (benefit)	(21)	(172)	21
Net Loss	$ (118)	$ (1,934)	$ (416)
Basic Loss per Share	$ (0.61)	$ (9.29)	$ (2.06)
Diluted Loss per Share	$ (0.61)	$ (9.29)	$ (2.06)

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

CONDUENT INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
(in millions)	2020	2019	2018
Net Loss	$ (118)	$ (1,934)	$ (416)
Other Comprehensive Income (Loss), Net[(1)]			
Currency translation adjustments, net	8	3	(31)
Reclassification of currency translation adjustments on divestitures	—	15	42
Reclassification of divested benefit plans and other	—	(1)	62
Unrecognized gains (losses), net	—	1	1
Changes in benefit plans, net	1	—	—
Other Comprehensive Income (Loss), Net	9	18	74
Comprehensive Loss, Net	$ (109)	$ (1,916)	$ (342)

(1) *All amounts are net of tax. Tax effects were immaterial. Refer to Note 20 – 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

(in millions, except share data in thousands)	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 450	$ 496
Accounts receivable, net	670	652
Contract assets	151	155
Other current assets	306	283
Total current assets	1,577	1,586
Land, buildings and equipment, net	305	342
Operating lease right-of-use assets	246	271
Intangible assets, net	187	426
Goodwill	1,528	1,502
Other long-term assets	413	387
Total Assets	$ 4,256	$ 4,514
Liabilities and Equity		
Current portion of long-term debt	$ 90	$ 50
Accounts payable	182	198
Accrued compensation and benefits costs	237	174
Unearned income	133	108
Other current liabilities	450	647
Total current liabilities	1,092	1,177
Long-term debt	1,420	1,464
Deferred taxes	97	111
Operating lease liabilities	207	229
Other long-term liabilities	108	91
Total Liabilities	2,924	3,072
Contingencies (See Note 17)		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,899	3,890
Retained earnings (deficit)	(2,313)	(2,185)
Accumulated other comprehensive loss	(398)	(407)
Total Equity	1,190	1,300
Total Liabilities and Equity	$ 4,256	$ 4,514
Shares of common stock issued and outstanding	212,074	211,511
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, 2020	2019	2018
Cash Flows from Operating Activities:			
Net income (loss)	$ (118)	$ (1,934)	$ (416)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:			
Depreciation and amortization	459	459	460
Contract inducement amortization	2	3	3
Goodwill impairment	—	1,952	—
Deferred income taxes	(21)	(220)	(75)
Loss from investments	(3)	(4)	(2)
Amortization of debt financing costs	7	7	11
Loss on extinguishment of debt	—	—	108
Loss on divestitures and sales of fixed assets, net	6	8	—
Stock-based compensation	20	24	38
Allowance for doubtful accounts	2	3	—
Changes in operating assets and liabilities:			
Accounts receivable	(14)	107	133
Other current and long-term assets	(36)	(14)	(111)
Accounts payable and accrued compensation	39	(15)	(14)
Restructuring liabilities	—	10	8
Other current and long-term liabilities	(174)	(257)	161
Net change in income tax assets and liabilities	(8)	3	(17)
Other operating, net	—	—	(4)
Net cash provided by (used in) operating activities	161	132	283
Cash Flows from Investing Activities:			
Cost of additions to land, buildings and equipment	(76)	(148)	(179)
Proceeds from sale of land, buildings and equipment	—	2	13
Cost of additions to internal use software	(63)	(67)	(45)
Payments for acquisitions, net of cash acquired	—	(90)	—
Proceeds (payments) from divestitures, net of cash	5	(7)	675
Other investing, net	—	—	(4)
Net cash provided by (used in) investing activities	(134)	(310)	460
Cash Flows from Financing Activities:			
Proceeds from revolving credit facility and other loans	155	—	—
Payments on revolving credit facility	(150)	—	—
Payments on debt	(55)	(54)	(519)
Debt issuance fee payments	—	—	(3)
Premium on debt redemption	—	—	(95)
Payment of contingent consideration related to acquisition	(4)	—	—
Taxes paid for settlement of stock-based compensation	(10)	(21)	(10)
Dividends paid on preferred stock	(10)	(10)	(10)
Net cash provided by (used in) financing activities	(74)	(85)	(637)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	3	(8)
Increase (decrease) in cash, cash equivalents and restricted cash	(47)	(260)	98
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	505	765	667
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 458	$ 505	$ 765

(1) *Includes $8 million, $9 million and $9 million of restricted cash as of the years ended December 31, 2020, 2019 and 2018, 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, 2017	$ 2	$ 3,850	$ 171	$ (494)	$ 3,529
Dividend - preferred stock, $80/per share	—	—	(10)	—	(10)
Cumulative effect of accounting change - revenue standard	—	—	17	—	17
Reclassification of amounts impacted by Tax Reform	—	—	5	(5)	—
Stock option and incentive plans, net	—	28	—	—	28
Comprehensive Income (Loss):					
Net Loss	—	—	(416)	—	(416)
Other comprehensive income (loss), net	—	—	—	74	74
Total Comprehensive Income (Loss), Net	—	—	(416)	74	(342)
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	$ 2	$ 3,890	$ (2,185)	$ (407)	$ 1,300
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	$ 2	$ 3,899	$ (2,313)	$ (398)	$ 1,190

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(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 24, 2021 and no material subsequent events were identified.

Conduent Incorporated 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".

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 the 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, 2020, the impact of the outbreak of the COVID-19 pandemic continues to unfold. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in the future.

New Accounting Standards

Income Taxes: In December 2019, the Financial Accounting Standards Board (FASB) issued final guidance that simplifies the accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification (ASC) 740, Income Taxes. The Company has analyzed the guidance and this guidance is not expected to have a material impact on the Company's income tax provision. The Company is not early adopting the guidance; as such, the guidance will be effective beginning in tax year 2021.

Reference Rate Reform: In March 2020, the FASB issued updated guidance relating to the accounting for the discontinuation of the London Inter-bank Offered Rate (LIBOR), referred to as the reference rate reform. This guidance provides 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 is currently evaluating the impact of the new guidance on its consolidated financial statements.

Recently Adopted Accounting Standards

Credit Losses: In June 2016, the FASB updated the accounting guidance related to measurement of credit losses on financial instruments, which requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The guidance replaces the incurred loss model with an expected loss model referred to as current expected credit loss (CECL). The CECL model requires us to measure lifetime expected credit losses for financial instruments held at the reporting date using historical experience, current conditions and reasonable supportable forecasts. The Company adopted the new guidance as of January 1, 2020 and the adoption of the new guidance did not have 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 2020, 2019 and 2018, the Company sold certain accounts receivable and derecognized the corresponding receivable balance. Refer to Note 6 – Accounts Receivable, Net for more details on the Company's receivable sales.

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 7 – 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 Operations. The Company performs annual reviews to ensure that unamortized Product Software costs remain recoverable from estimated future operating profits (net realizable value or NRV). 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 7 – 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).

Refer to Note 7 – 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 8 – 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 9 – 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 9 – 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, 2020.

On December 27, 2020, the Consolidated Appropriations Act, 2021, was signed into law, which provides for coronavirus related tax relief as well as an omnibus appropriations package that extends various expiring tax provisions. The work opportunity tax credit has been extended through December 31, 2025, and a 100% deduction for the cost of business meals is allowed for 2021 and 2022, which will provide a permanent benefit. The Consolidated Appropriations Act is not expected to have a material impact on the Company's income tax provision.

Refer to Note 16 – 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 expenses, net together with other foreign currency re-measurements.

Revenue Recognition

The Company adopted the new revenue standard as of January 1, 2018, using the modified retrospective method. 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 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 2020, the Company changed how it presents its disaggregated revenue by major service offering. This change had no impact on disaggregated revenue by reportable segments or the timing of revenue recognition. All prior periods presented have been revised to reflect this change.

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.

	Year Ended December 31,		
(in millions)	2020	2019	2018
Commercial Industries:			
Customer experience management	$ 648	$ 669	$ 710
Business operations solutions	566	632	716
Commercial healthcare solutions	431	482	445
Human resource and learning services	518	602	679
Total Commercial Industries	2,163	2,385	2,550
Government Services:			
Government healthcare solutions	603	675	727
Government services solutions	678	588	624
Total Government Services	1,281	1,263	1,351
Transportation:			
Roadway charging & management services	318	327	300
Transit solutions	248	254	226
Curbside management solutions	72	107	109
Public safety solutions	73	83	79
Commercial vehicles	8	10	15
Total Transportation	719	781	729
Other:			
Divestitures	—	36	752
Education	—	2	11
Total Other	—	38	763
Total Consolidated Revenue	$ 4,163	$ 4,467	$ 5,393
Timing of Revenue Recognition:			
Point in time	$ 110	$ 144	$ 142
Over time	4,053	4,323	5,251
Total Revenue	$ 4,163	$ 4,467	$ 5,393

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, on-line 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 Women, Infant and Children (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, 2020	December 31, 2019
Contract Assets (Unearned Income)		
Current contract assets	$ 151	$ 155
Long-term contract assets[1]	13	10
Current unearned income	(133)	(108)
Long-term unearned income[2]	(29)	(21)
Net Contract Assets (Unearned Income)	$ 2	$ 36
Accounts receivable, net	$ 670	$ 652

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(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 $101 million and $101 million were recognized during the years ended December 31, 2020 and 2019, respectively, related to the Company's unearned income at December 31, 2019 and January 1, 2019. The Company had no material asset impairment charges related to contract assets for the year ended December 31, 2020.

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, 2020, was approximately $1.2 billion. The Company expects to recognize approximately 82% 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 $23 million and $18 million as of December 31, 2020 and 2019, 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 $21 million and $21 million as of December 31, 2020 and 2019, 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 $32 million and $45 million as of December 31, 2020 and 2019, 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, 2020, 2019 and 2018, were $41 million, $42 million and $50 million, respectively.

The expected amortization expense for the next five years and thereafter for these costs is as follows (in millions):

2021	2022	2023	2024	2025	Thereafter
$ 36	$ 8	$ 4	$ 2	$ 2	$ 24

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

The Company's financial performance is based on Segment Profit/(Loss) and Segment Adjusted EBITDA 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)	Commercial Industries	Government Services	Transportation	Other: Divestitures	Other: Other	Unallocated Costs	Total
2020							
Revenue	$ 2,163	$ 1,281	$ 719	$ —	$ —	$ —	$ 4,163
Segment profit (loss)	$ 150	$ 372	$ 82	$ —	$ 9	$ (348)	$ 265
Segment depreciation and amortization	$ 108	$ 25	$ 35	$ —	$ —	$ 54	$ 222
Adjusted EBITDA	$ 258	$ 397	$ 117	$ —	$ 2	$ (294)	$ 480
2019							
Revenue	$ 2,385	$ 1,263	$ 781	$ 36	$ 2	$ —	$ 4,467
Segment profit (loss)	$ 270	$ 279	$ 69	$ 1	$ (1)	$ (345)	$ 273
Segment depreciation and amortization	$ 106	$ 31	$ 35	$ —	$ —	$ 44	$ 216
Adjusted EBITDA	$ 376	$ 311	$ 108	$ 1	$ (1)	$ (301)	$ 494
2018							
Revenue	$ 2,550	$ 1,351	$ 729	$ 752	$ 11	$ —	$ 5,393
Segment profit (loss)	$ 346	$ 296	$ 61	$ 98	$ (4)	$ (375)	$ 422
Segment depreciation and amortization	$ 108	$ 35	$ 38	$ 7	$ 2	$ 31	$ 221
Adjusted EBITDA	$ 454	$ 328	$ 99	$ 105	$ (2)	$ (344)	$ 640

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

(in millions) Segment Profit (Loss) Reconciliation to Pre-tax Income (Loss)	2020	2019	2018
Loss Before Income Taxes	$ (139)	$ (2,106)	$ (395)
Reconciling items:			
Amortization of acquired intangible assets	239	246	242
Restructuring and related costs	67	71	81
Interest expense	60	78	112
Loss on extinguishment of debt	—	—	108
Goodwill impairment	—	1,952	—
Loss on divestitures and transaction costs	17	25	42
Litigation costs, net	20	17	227
Other (income) expenses, net	1	(10)	5
Segment Pre-Tax Income (Loss)	$ 265	$ 273	$ 422
Segment depreciation and amortization	222	216	221
NY MMIS/HE charge (credit)	—	1	(3)
CA MMIS charge (credit)	(7)	—	—
Other adjustments	$ —	$ 4	$ —
Adjusted EBITDA	$ 480	$ 494	$ 640

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:

	Revenues			Long-Lived Assets [1]	
(in millions)	2020	2019	2018	2020	2019
United States	$ 3,748	$ 4,000	$ 4,748	$ 628	$ 612
Europe	357	386	497	44	53
Other areas	58	81	148	114	137
Total Revenues and Long-Lived Assets	$ 4,163	$ 4,467	$ 5,393	$ 786	$ 802

(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 – 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 and $439 million for the year ended December 31, 2018.

Note 5 – Business Acquisition

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. Revenue recorded for the year ended December 31, 2019, was $20 million. Pre-tax income for the year ended December 31, 2019, was $6 million.

The Company's final purchase price allocation for HSP as of the acquisition date was as follows:

(in millions)	
Fair Value of Consideration Transferred:	
Cash paid	$ 90
Contingent consideration payable	7
Total Consideration	$ 97
Allocation of Purchase Price:	
Net tangible assets	$ 10
Developed technology	19
Costs Assigned to Intangible Assets	
Customer relationships	18
Trademarks and trade names	1
Goodwill	49
Total Intangible Assets	68
Total Assets	$ 97

The weighted average amortization periods are 7 years, 15 years and 1.5 years for Developed technology, Customer relationships and Trademarks and trade names, respectively. The acquired goodwill is associated with the Company's Commercial Industries segment. This acquired goodwill, while tax deductible, includes $7 million related to contingent consideration payable that was not tax deductible until it was earned and paid. During the third quarter of 2020, the contingent consideration payable was settled. The goodwill recognized is attributable primarily to

expected synergies and the assembled workforce of HSP. The Developed technology is classified as Product Software within Other long-term assets on the Consolidated Balance Sheets.

The Company has not presented separate results of operations or combined pro forma financial information of the Company and the acquired business because the results of operations of the acquired business are considered immaterial.

Note 6 – Accounts Receivable, Net

The Accounts receivable, net balance of $670 million and $652 million at December 31, 2020 and 2019, respectively, included allowance for doubtful accounts of $2 million and $2 million at December 31, 2020 and 2019, 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, 2020 and 2019 were as follows:

	Year Ended December 31,	
(in millions)	2020	2019
Accounts receivable sales	$ 529	$ 204

Note 7 - Land, Buildings, Equipment and Software, Net

Land, buildings and equipment, net was as follows:

	Estimated Useful Lives	December 31,	
(in millions except as noted)	(Years)	2020	2019
Land		$ 1	$ 1
Building and building equipment	25 to 50	7	7
Leasehold improvements	Varies	268	267
IT, other equipment and office furniture	3 to 15	869	964
Other	4 to 20	2	3
Construction in progress		35	50
Subtotal		1,182	1,292
Accumulated depreciation		(877)	(950)
Land, Buildings and Equipment, Net		$ 305	$ 342

Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was $125 million, $123 million and $121 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,		
Additions to:	2020	2019	2018
Internal use software	$ 63	$ 70	$ 47
Product software	36	9	8

(in millions)	December 31, 2020	December 31, 2019
Internal use software, at cost	$ 524	$ 508
Accumulated amortization	(361)	(358)
Internal use software, net[(1)]	$ 163	$ 150
Product software, at cost	$ 144	$ 104
Accumulated amortization	(72)	(64)
Product software, net[(1)]	$ 72	$ 40

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, 2020, 2019 and 2018 was $54 million, $48 million and $46 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,		
Additions to:	2020	2019	2018
Cloud computing implementation costs	$ 3	$ 39	$ 5

(in millions)	December 31,	
Capitalized Costs, Net	2020	2019
Cloud computing implementation costs, at cost	$ 47	$ 44
Accumulated amortization	(6)	(2)
Cloud computing implementation costs, net[(1)]	$ 41	$ 42

(1) Refer to Note 11 – 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, 2020, 2019 and 2018 were $4 million, $2 million and $0 million, respectively.

Note 8 - 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:

	Year Ended December 31,	
(in millions)	2020	2019
Finance Lease Costs:		
Amortization of right of use assets	$ 8	$ 10
Interest on lease liabilities	1	1
Total Finance Lease Costs	$ 9	$ 11
Operating lease costs:		
Base rent	$ 95	$ 112
Short-term lease costs	5	12
Variable lease costs[(1)]	26	30
Sublease income	(3)	(7)
Total Operating Lease Costs	$ 123	$ 147

(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:

	Year Ended December 31,	
(in millions)	2020	2019
Cash paid for the amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 117	$ 137
Operating cash flows from finance leases	1	1
Total Cash Flow from Operating Activities	$ 118	$ 138
Financing cash flow from finance leases	$ 11	$ 11
Supplemental non-cash information on right of use assets obtained in exchange for new lease obligations:		
Operating leases	$ 73	$ 32
Finance leases	$ 14	$ 2

Supplemental balance sheet information related to leases was as follows:

(in millions)	December 31, 2020	December 31, 2019
Operating lease assets:		
Operating lease right-of-use assets	$ 246	$ 271
Operating lease liabilities:		
Other current liabilities	$ 81	$ 91
Operating lease liabilities	207	229
Total Operating Lease Liabilities	$ 288	$ 320
Finance lease assets:		
Land, buildings and equipment, net	$ 19	$ 14
Finance lease liabilities:		
Current portion of long-term debt	$ 8	$ 7
Long-term debt	12	10
Total Finance Lease Liabilities	$ 20	$ 17

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 operating 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, 2020 and 2019 were as follows:

	December 31, 2020		December 31, 2019	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted average discount rates	6.1 %	5.3 %	5.5 %	4.8 %
Weighted average remaining lease term (in years)	5	3	5	3

Maturities of operating and finance lease liabilities as of December 31, 2020 were as follows:

	December 31, 2020	
(in millions)	Operating Lease Payments	Finance Lease Payments
2021	$ 95	$ 8
2022	71	7
2023	47	4
2024	37	2
2025	27	—
Thereafter	59	—
Total undiscounted lease payments	336	21
Less imputed interest	48	1
Present value of lease liabilities	$ 288	$ 20

Note 9 - 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, 2018	$ 1,391	$ 1,376	$ 641	$ 3,408
Foreign currency translation	—	(1)	(1)	(2)
Acquisitions	49	—	—	49
Impairment	(618)	(754)	(580)	(1,952)
Other	(1)	—	—	(1)
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**
Gross goodwill	$ 2,390	$ 1,377	$ 648	$ 4,415
Accumulated impairment	(1,553)	(754)	(580)	(2,887)
Balance at December 31, 2020	**$ 837**	**$ 623**	**$ 68**	**$ 1,528**

The Company performed its annual goodwill impairment test for the year ended December 31, 2020 as of October 1, 2020. 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. As a consequence 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 $187 million at December 31, 2020 of which $176 million, $8 million and $3 million relate to our Commercial Industries, Government Services and Transportation segments, respectively. Intangible assets were comprised of the following:

		December 31, 2020			December 31, 2019		
(in millions except years)	Weighted Average Amortization	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer relationships	12 years	$ 2,890	$ 2,703	$ 187	$ 2,920	$ 2,494	$ 426
Technology, patents and non-compete	0 years	—	—	—	1	1	—
Total Intangible Assets		$ 2,890	$ 2,703	$ 187	$ 2,921	$ 2,495	$ 426

Amortization expense related to intangible assets was $239 million, $246 million and $242 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amortization expense is expected to approximate $134 million in 2021, $13 million in 2022, $7 million in 2023, $6 million in 2024 and $4 million in 2025.

Note 10 – 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 have 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, $21 million and $4 million for the years ended December 31, 2020, 2019 and 2018, 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, 2020 is as follows:

(in millions)	Severance and Related Costs	Termination and Other Costs	Asset Impairments	Total
Balance at December 31, 2018	$ 13	$ 36	$ —	$ 49
Provision	33	30	15	78
Changes in estimates	(5)	(6)	—	(11)
Total Net Current Period Charges[1]	28	24	15	67
Charges against reserve and currency	(26)	(32)	(15)	(73)
Reclassification to operating lease ROU assets[2]	—	(22)	—	(22)
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

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(1) Represents amounts recognized within the Consolidated Statements of Income (Loss) for the years shown.
(2) Relates to the adoption of the new lease guidance.

We also recorded costs related to professional support services associated with the implementation of certain strategic transformation programs of $8 million, $4 million and $3 million during the years ended December 31, 2020, 2019 and 2018, 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, 2020	2019	2018
Commercial Industries	$ 11	$ 24	$ 26
Government Services	1	1	1
Transportation	2	2	3
Other	—	—	6
Unallocated Costs	45	40	42
Total Net Restructuring Charges	$ 59	$ 67	$ 78

Note 11 – Supplementary Financial Information

The components of Other assets and liabilities were as follows:

(in millions)	December 31, 2020	December 31, 2019
Other Current Assets		
Prepaid expenses	$ 73	$ 70
Income taxes receivable	48	38
Value-added tax (VAT) receivable	21	20
Restricted cash	8	9
Current portion of capitalized cloud computing implementation costs, net	8	5
Net receivable from buyers of divested businesses	53	52
Other	95	89
Total Other Current Assets	$ 306	$ 283
Other Current Liabilities		
Accrued liabilities	$ 229	$ 309
Litigation related accruals	73	178
Current operating lease liabilities	81	91
Restructure reserves	1	15
Income tax payable	16	11
Other taxes payable	16	16
Other	34	27
Total Other Current Liabilities	$ 450	$ 647
Other Long-term Assets		
Internal use software, net	$ 163	$ 150
Deferred contract costs, net[2]	76	84
Product software, net	72	40
Cloud computing implementation costs, net	33	37
Other	69	76
Total Other Long-term Assets	$ 413	$ 387
Other Long-term Liabilities		
Deferred payroll tax related to the CARES Act[1]	$ 24	$ —
Income tax liabilities	15	20
Unearned income	29	21
Restructuring reserves	5	6
Other	35	44
Total Other Long-term Liabilities	$ 108	$ 91

(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 the remainder due on December 31, 2022. The current portion of this liability 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, 2020 and 2019 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 12 – Debt

The Company classifies its debt based on the contractual maturity dates of the underlying debt instruments or as of the earliest put date available to the debt holders. 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, 2020[1]	December 31, 2020	December 31, 2019
Term loan A due 2022	2.34 %	$ 654	$ 664
Term loan B due 2023	3.82 %	816	824
Senior notes due 2024	10.90 %	34	34
Finance lease obligations	5.29 %	20	17
Other loans		4	—
Principal Debt Balance		$ 1,528	$ 1,539
Debt issuance costs and unamortized discounts		(18)	(25)
Less: current maturities		(90)	(50)
Total Long-term Debt		$ 1,420	$ 1,464

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

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

2021	2022	2023	2024	2025	Total
$ 90	$ 598	$ 804	$ 36	$ —	$ 1,528

Credit Facility

On December 7, 2016, the Company entered into a senior secured credit agreement (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. 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 $700 million;
(ii) Senior Secured Term Loan B (Term Loan B) with an aggregate principal amount of $850 million;
(iii) Senior Revolving Credit Facility (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 Revolving Credit Facility, which was subsequently fully repaid in December 2020. As of December 31, 2020, the Company has utilized $7 million of its revolving credit facility capacity to issue letters of credit. The net amount available to be drawn upon under the Credit Agreement as of December 31, 2020 was $743 million.

The Credit Agreement permits the Company to incur incremental term loan borrowings and /or increase commitments under the revolving credit facility, subject to certain limitations and satisfaction of certain conditions. Currently additional term loans of up to $300 million are permitted.

All obligations under the Credit Agreement are unconditionally guaranteed by the Company, CBS, Conduent Finance, Inc. (CFI) and the existing and future direct and indirect wholly owned domestic subsidiaries of CBS (subject to certain exceptions). All obligations under the Credit Agreement, and the guarantees of those obligations, are secured, subject to certain exceptions, by substantially all of the assets of CBS and the guarantors under the Credit Agreement (other than the Company and CFI), including a first-priority pledge of all the capital stock of CBS and the subsidiaries of CBS directly held by CBS or the guarantors (other than the Company and CFI) under the Credit Agreement (which pledges, in the case of any foreign subsidiary, will be limited to 65% of the capital stock of any first-tier foreign subsidiary).

The Credit Agreement contains certain customary affirmative and negative covenants, restrictions and events of default. The Credit Agreement requires the total net leverage ratio for December 31, 2020 and thereafter not to exceed 3.75 to 1.00.

Senior Notes

The Senior Notes are 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 guarantee the obligations under the Senior Credit Facilities.

Interest is payable semi-annually. The Issuers may redeem the Senior Notes, in whole or in part, at any time on or after December 15, 2020, at the redemption prices specified in the Indenture, plus accrued and unpaid interest, if any, to but excluding the redemption date. No Senior Notes were redeemed between December 15, 2020 and December 31, 2020.

Interest

Interest paid on short-term and long-term debt amounted to $51 million, $69 million, $100 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Interest expense and interest income were as follows:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Interest expense	$ 60	$ 78	$ 112
Interest income[(1)]	2	6	7

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

Note 13 – 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, through the use of 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 into 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, 2020 and 2019, the Company had outstanding forward exchange with gross notional values of $180 million and $207 million, respectively. At December 31, 2020, approximately 77% of these contracts mature within three months, 9% in three to six months, 11% in six to twelve months and 3% in greater than 12 months.

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

	December 31, 2020		December 31, 2019	
(in millions)	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	$ 53	$ 1	$ 57	$ 1
Indian Rupee/U.S. Dollar	52	1	85	1
Euro/U.S. Dollar	17	—	—	—
Mexican Peso/U.S. Dollar	2	—	—	—
All Other	56	—	65	—
Total Foreign Exchange Hedging	$ 180	$ 2	$ 207	$ 2

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

Note 14 – 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, 2020	December 31, 2019
Assets:		
Foreign exchange contract - forward	$ 2	$ 2
Total Assets	$ 2	$ 2
Liabilities:		
Foreign exchange contracts - forward	$ —	$ —
Total Liabilities	$ —	$ —

Summary of Other Financial Assets and Liabilities

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

	December 31, 2020		December 31, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long-term debt	$ 1,420	$ 1,378	$ 1,464	$ 1,449
Contingent consideration payable	$ —	$ —	$ 4	$ 4

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 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 15 – Employee Benefit Plans

Defined Benefit Plans

In 2018, all the U.S. and the majority of the international plan assets and obligations were sold as part of the divestiture of the U.S. human resource consulting and actuarial business and the human resource consulting and outsourcing business located in Canada and the U.K. The Company's remaining benefit obligations and plan assets at December 31, 2020 were $13 million and $2 million, respectively. The Company's remaining benefit obligations and plan assets at December 31, 2019 were $14 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 $6 million in 2020, $9 million in 2019 and $28 million in 2018.

Note 16 - Income Taxes

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

	Year Ended December 31,		
(in millions)	2020	2019	2018
Domestic loss	$ (186)	$ (2,177)	$ (411)
Foreign income	47	71	16
Loss Before Income Taxes	$ (139)	$ (2,106)	$ (395)

Provision (benefit) for income taxes were as follows:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Federal Income Taxes			
Current	$ (22)	$ (3)	$ 35
Deferred	(17)	(170)	(62)
Foreign Income Taxes			
Current	18	47	41
Deferred	(4)	(8)	(6)
State Income Taxes			
Current	5	5	20
Deferred	(1)	(43)	(7)
Total Provision (Benefit)	$ (21)	$ (172)	$ 21

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,		
	2020	2019	2018
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Nondeductible expenses	(2.1)%	(0.2)%	(3.7)%
Change in valuation allowance for deferred tax assets	0.6 %	(1.2)%	(1.7)%
State taxes, net of federal benefit	(2.1)%	1.8 %	(2.3)%
Tax-exempt income, credits and incentives	5.1 %	0.3 %	2.2 %
Foreign rate differential adjusted for U.S. taxation of foreign profits[1]	(0.9)%	(0.2)%	1.6 %
Divestitures[2]	— %	0.2 %	(20.3)%
Goodwill impairment[3]	— %	(14.1)%	— %
Unrecognized tax benefits	(1.2)%	(0.3)%	(1.9)%
Audit and other tax return adjustments	(5.3)%	0.1 %	0.2 %
Other	— %	0.8 %	(0.4)%
Effective Income Tax Rate	15.1 %	8.2 %	(5.3)%

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(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) 2018 divestitures include nondeductible goodwill allocated to divested businesses.
(3) Goodwill impairment represents adjustments for impairment of non-deductible component of goodwill.

On a consolidated basis, the Company received a refund of $(1) million and paid a total of $46 million and $108 million in income taxes to federal, foreign and state jurisdictions during the three years ended December 31, 2020, 2019 and 2018, 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, 2020, the Company had $23 million of unrecognized tax benefits, of which $21 million, if recognized, would impact the Company's effective tax rate. Due to expected settlements, the Company estimates that $14 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)	2020	2019	2018
Balance at January 1	$ 24	$ 20	$ 15
Additions related to current year	—	1	3
Additions related to prior years positions	3	7	5
Reductions related to prior years positions	—	(3)	—
Settlements with taxing authorities[(1)]	(4)	(1)	(1)
Currency	—	—	(2)
Balance at December 31	$ 23	$ 24	$ 20

(1) 2020 and 2019 settlement resulted in $4 million and $1 million cash paid, respectively.

The Company maintains offsetting benefits from other jurisdictions of $15 million, $16 million and $15 million, at December 31, 2020, 2019 and 2018, respectively. The Company recognized interest and penalties accrued on unrecognized tax benefits within income tax expense. The Company had $13 million, $14 million and $10 million accrued for the payment of interest and penalties associated with unrecognized tax benefits at December 31, 2020, 2019 and 2018, respectively. In the U.S., the Company is no longer subject to U.S. federal income tax examinations for years before 2015. With respect to major foreign jurisdictions, the years generally remain open back to 2003.

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 $280 million as of December 31, 2020. 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:

	December 31,	
(in millions)	2020	2019
Deferred Tax Assets		
Net operating losses and capital loss carryforward	$ 96	$ 122
Operating reserves, accruals and deferrals	57	33
Deferred compensation	7	11
Settlement reserves	17	44
Operating lease liabilities	68	78
Tax credits	42	14
Other	7	7
Subtotal	294	309
Valuation allowance	(83)	(72)
Total	$ 211	$ 237
Deferred Tax Liabilities		
Unearned income	$ 27	$ 53
Intangibles and goodwill	100	143
Depreciation	75	47
Operating lease right-of-use assets	57	65
Other	26	23
Total	$ 285	$ 331
Total Deferred Taxes, Net	$ (74)	$ (94)

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, 2020 and 2019 was an increase of $11 million and an increase of $28 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, 2020, we had tax credit carryforwards of $42 million available to offset future income taxes which will expire between 2027 and 2040 if not utilized. We also had net operating loss carryforwards for income tax purposes of $634 million that will expire between 2021 and 2040, if not utilized; and $189 million available to offset future taxable income indefinitely. We had $8 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.

Note 17 – 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, 2020. 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 in excess of 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 consolidated financial position or liquidity. As of December 31, 2020, the Company had accrued its estimate of liability incurred under its indemnification arrangements and guarantees.

Litigation Against the Company

State of Texas v. Xerox Corporation, Conduent Business Services, LLC (f/k/a Xerox Business Services, LLC), Conduent State Healthcare, LLC (f/k/a Xerox State Healthcare, LLC, f/k/a ACS State Healthcare, LLC) and Conduent Incorporated: On May 9, 2014, the State of Texas, via the Texas Office of Attorney General (the "State"), filed a lawsuit in the 53rd Judicial District Court of Travis County, Texas. The lawsuit alleged that Conduent State Healthcare LLC (f/k/a Xerox State Healthcare, LLC and ACS State Healthcare) ("CSH"), Conduent Business Services LLC ("CBS") and Conduent Incorporated ("CI") (collectively, CSH, CBS and CI are referred to herein as the "Conduent Defendants") and Xerox Corporation (together with the Conduent Defendants, the "Defendants") violated the Texas Medicaid Fraud Prevention Act in the administration of its contract with the Texas Department of Health and Human Services ("HHSC"). In February 2019 a settlement agreement and release was reached among the Defendants, the State and HHSC which was amended in May 2019 ("Texas Agreement"). Pursuant to the terms of the Texas Agreement, the Conduent Defendants were required to pay the State of Texas $236 million, of which $118 million was paid in 2019 and the remaining $118 million paid in January 2020. The case has been dismissed with prejudice with a full release and discharge of the Defendants.

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 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 (the "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 (the "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 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 denies all of the plaintiffs' allegations, believes that it has strong defenses to all of plaintiffs' claims and will vigorously defend itself against these claims. 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. 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 Consultants, LLC; 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, LLC: On April 12, 2017, Conduent Business Services LLC ("Conduent") 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 Conduent and Cognizant, as amended and supplemented (the "Contract"). The Contract contains certain minimum purchase obligations by Conduent 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 Conduent under Conduent's contract with the New York Department of Health to provide Medicaid Management Information Systems. In the lawsuit, Conduent seeks damages in excess of $150 million. During the first quarter of 2018, Conduent provided notice to Cognizant that it was terminating the Contract for cause and recorded in the same period certain charges associated with the termination. Conduent 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 its damages to $89 million. Conduent 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 (the "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 an inquiry the Illinois Attorney General's Office recently commenced, the Company has resolved the investigations the CFPB and several state agencies commenced and continues to work with the Department and the U.S. Department of Justice to resolve all outstanding issues, including a number of operational projects that XES discovered and disclosed since 2014. The Company cannot provide assurance that the CFPB, another regulator, a financial institution on behalf of which the Company 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 subsequent to 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, with the exception of 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 as a result 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, 2020, the Company had $610 million of outstanding surety bonds used to secure its performance of contractual obligations with its clients and $98 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 the amount of 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 (including its Credit Facility) to allow it to respond to future requests for proposals that require such credit support.

Note 18 - 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 19 – Shareholders' Equity

Preferred Stock

As of December 31, 2020, the Company had one class of preferred stock outstanding. Refer to Note 18 – 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, 2020, 17 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:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Stock-based compensation expense, pre-tax	$ 20	$ 24	$ 38
Income tax benefit recognized in earnings	3	—	7

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 2020, the Company issued 389 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 100% 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 in order 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.

Employee Stock Options: Stock options were issued by a former parent company and were converted to Conduent's common stock upon the Separation. As of December 31, 2020, these options have expired. Conduent has not issued any new stock options.

Summary of Stock-based Compensation Activity

	2020		2019		2018	
(shares in thousands)	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	1,741	$ 13.07	2,399	$ 16.90	3,125	$ 16.29
Granted	7,778	2.25	2,503	12.57	1,246	18.82
Vested	(2,816)	4.99	(2,135)	15.54	(1,501)	17.30
Canceled	(1,083)	6.11	(1,026)	15.68	(471)	16.62
Outstanding at December 31	5,620	3.49	1,741	13.07	2,399	16.90
Performance Stock Units / Shares						
Outstanding at January 1	3,597	$ 16.17	4,557	$ 16.76	5,429	$ 16.55
Granted	7,010	1.37	1,229	13.35	730	18.64
Vested	(3,163)	7.33	(1,069)	15.64	(980)	17.12
Canceled	(1,991)	11.91	(1,120)	16.00	(622)	16.59
Outstanding at December 31	5,453	3.83	3,597	16.17	4,557	16.76

The total unrecognized compensation cost related to non-vested stock-based awards at December 31, 2020 was as follows (in millions):

Awards	Unrecognized Compensation	Remaining Weighted-Average Expense Period (Years)
Restricted Stock Units / Shares	$ 13	1.7
Performance Stock Units / Shares	3	1.5
Total	$ 16	

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

Awards	December 31, 2020
Restricted Stock Units / Shares	$ 27
Performance Stock Units / Shares	26

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

(in millions)	December 31, 2020			December 31, 2019			December 31, 2018		
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	$ 13	$ —	$ 3	$ 17	$ —	$ 4	$ 20	$ —	$ 4
Performance Stock Units / Shares	14	—	2	11	—	2	18	—	4
Stock Options	—	—	—	—	—	—	2	2	—

Note 20 – Other Comprehensive Income (Loss)

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

	Year Ended December 31,					
	2020		2019		2018	
(in millions)	Pre-tax	Net of Tax	Pre-tax	Net of Tax	Pre-tax	Net of Tax
Currency Translation						
Currency translation adjustments, net	$ 8	$ 8	$ 3	$ 3	$ (31)	$ (31)
Reclassification of currency translation adjustments on divestitures	—	—	15	15	42	42
Translation adjustments gains(losses)	$ 8	$ 8	$ 18	$ 18	$ 11	$ 11
Unrealized Gains (Losses)						
Changes in fair value of cash flow hedges gains (losses)	$ —	$ —	$ 1	$ 1	$ 2	$ 1
Changes in cash flow hedges reclassed to earnings[1]	—	—	(1)	—	(1)	—
Net Unrealized Gains (Losses)	$ —	$ —	$ —	$ 1	$ 1	$ 1
Defined Benefit Plans Gains (Losses)						
Reclassification of divested benefit plans and other	$ —	$ —	$ 1	$ (1)	$ 65	$ 62
Net actuarial/prior service gains (losses)	1	1	—	—	—	—
Changes in Defined Benefit Plans Gains (Losses)	$ 1	$ 1	$ 1	$ (1)	$ 65	$ 62
Other Comprehensive Income (Loss)	$ 9	$ 9	$ 19	$ 18	$ 77	$ 74

(1) Reclassified to Cost of services - refer to Note 13 – 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, 2017	$ (437)	$ 1	$ (58)	$ (494)
Reclassification of amounts impacted by Tax Reform	—	—	(5)	(5)
Other comprehensive income (loss) before reclassifications	(31)	1	—	(30)
Amounts reclassified from accumulated other comprehensive loss	42	—	62	104
Net current period other comprehensive income (loss)	11	1	62	74
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)

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

Note 21 – 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:

	Year Ended December 31,		
(in millions, except per share data. Shares in thousands)	2020	2019	2018
Net Loss per Share:			
Net loss	$ (118)	$ (1,934)	$ (416)
Dividend - preferred stock	(10)	(10)	(10)
Adjusted Net Loss Available to Common Shareholders	$ (128)	$ (1,944)	$ (426)
Weighted average common shares outstanding	210,018	209,318	206,056
Basic Loss per Share	$ (0.61)	$ (9.29)	$ (2.06)
Diluted Loss per Share:			
Net loss from continuing operations	$ (118)	$ (1,934)	$ (416)
Dividend - preferred stock	(10)	(10)	(10)
Adjusted Net Loss Available to Common Shareholders	$ (128)	$ (1,944)	$ (426)
Weighted average common shares outstanding	210,018	209,318	206,056
Diluted Loss per Share	$ (0.61)	$ (9.29)	$ (2.06)

There were no securities excluded from the computation of diluted earnings per share for being either contingently issuable shares or shares that if included would have been anti-dilutive for any of the years ended December 31, 2020, 2019 or 2018.

Note 22 – 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:

	Year Ended December 31,		
(in millions)	2020	2019	2018
Revenue from related parties	$ 24	$ 33	$ 45
Purchases from related parties	$ 36	$ 46	$ 41

The Company's receivable and payable balances with related party entities were not material as of December 31, 2020 and 2019.

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, 2020, 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, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 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, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 23, 2021, the Company further modified the compensation arrangement of the Company's Chief Executive Officer, Clifford Skelton, as reflected in that letter agreement entered into between the Company and Mr. Skelton (the "2021 Letter Agreement"). In connection with such modification, the Compensation Committee of the Board of Directors set the salary of Mr. Skelton at $775,000 per annum. Mr. Skelton is eligible to participate in the Company's Annual Performance Incentive Plan at a target level of 135% of his salary with a potential payout range between zero and 200% of target. Mr. Skelton will also be eligible to participate in the Company's Long Term Incentive Plan ("LTIP"), which is payable in equity. His LTIP target annual award increased from $3,000,000 to $4,000,000.

The foregoing description of the 2021 Letter Agreement is a summary of its material terms, does not purport to be complete and is qualified in its entirety by reference to the 2021 Letter Agreement which is filed as Exhibit 10.6(d)(iii) to this Annual Report on Form 10-K and incorporated herein by reference. Other than the terms set forth in the 2021 Letter Agreement, Mr. Skelton's employment terms remain the same as set forth in Mr. Skelton's existing letter agreements as previously disclosed by the Company.

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 2021 Annual Meeting of Stockholders (the 2021 Proxy Statement). The 2021 Proxy Statement is expected to be filed within 120 days after the end of our fiscal year ended December 31, 2020.

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 2021 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 2021 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 2021 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 2021 Proxy Statement is incorporated herein by reference: “Compensation Discussion and Analysis”, “Summary Compensation Table”, “Grants of Plan-Based Awards in 2020”, “Outstanding Equity Awards at 2020 Fiscal Year-End”, “Option Exercises and Stock Vested in 2020”, “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 2021 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 2021 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 2021 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 2021 Proxy Statement.

ITEM 14. PRINCIPAL AUDITOR 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 2021 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;
    - Consolidated Statements of Income (Loss) for each of the years in the three-year period ended December 31, 2020;
    - Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2020;
    - Consolidated Balance Sheets as of December 31, 2020 and 2019;
    - Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2020;
    - Consolidated Statements of Shareholders' Equity for each of the years in the three-year period ended December 31, 2020;
    - 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, 2020.

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 2021 Proxy Statement or to our directors are preceded by an asterisk (*).

SCHEDULE II

Valuation and Qualifying Accounts

For the three years ended December 31, 2020

(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 Losses:						
2020	Accounts Receivable	$ 2	$ 1	$ —	$ (1)	$ 2
2019	Accounts Receivable	1	3	—	(2)	2
2018	Accounts Receivable	2	—	—	(1)	1
Tax Valuation Allowance:						
2020	Tax Valuation	72	17	—	(6)	83
2019	Tax Valuation	44	38	—	(10)	72
2018	Tax Valuation	35	17	—	(8)	44

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(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.	
2.1	Separation and Distribution Agreement, dated as of December 30, 2016, by and between Xerox Corporation and Conduent Incorporated.
	Incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K dated January 3, 2017. (See SEC File Number 001-37817).
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(a)	Indenture, dated as of December 7, 2016, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated December 9, 2016. (See SEC File Number 001-37817).
4.1(b)	First Supplemental Indenture, dated as of January 9, 2018, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1(a) to the Registrant's Quarterly Report on Form 10-Q dated August 8, 2018. (See SEC File Number 001-37817).
4.1(c)	Second Supplemental Indenture, dated as of June 1, 2018, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1(b) to the Registrant's Quarterly Report on Form 10-Q dated August 8, 2018. (See SEC File Number 001-37817).
4.1(d)	Third Supplemental Indenture, dated as of June 1, 2018, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1(c) to the Registrant's Quarterly Report on Form 10-Q dated August 8, 2018. (See SEC File Number 001-37817).
4.1(e)	Fourth Supplemental Indenture, dated as of June 1, 2018, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1(d) to the Registrant's Quarterly Report on Form 10-Q dated August 8, 2018. (See SEC File Number 001-37817).
4.1(f)	Fifth Supplemental Indenture, dated as of July 12, 2018, among Conduent Finance, Inc., Xerox Business Services, LLC, the Guarantors named therein and U.S. Bank National Association, as trustee.
	Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K dated July 12, 2018. (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(a)	Credit Agreement, dated as of December 7, 2016, among Conduent Incorporated, Xerox Business Services, LLC, Affiliated Computer Services International B.V., Conduent Finance, Inc., the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated December 9, 2016. (See SEC File Number 001-37817).

10.1(b)	Amendment No. 1 to Credit Agreement, dated as of April 1, 2017, among Conduent Incorporated, Conduent Business Services, LLC (f/k/a Xerox Business Services, LLC), Affiliated Computer Services International B.V., Conduent Finance, Inc., the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 11, 2017. (See SEC File Number 001-37817).
10.1(c)	Amendment No. 2 to Credit Agreement, dated as of October 10, 2017, among Conduent Incorporated, Conduent Business Services, LLC (f/k/a Xerox Business Services, LLC), Affiliated Computer Services International B.V., Conduent Finance, Inc., the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent.
	Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated October 10, 2017. (See SEC File Number 001-37817).
10.1(d)	Amendment No. 3 to Credit Agreement, dated as of June 28, 2018, among Conduent Incorporated, Conduent Business Services, LLC (f/k/a Xerox Business Services, LLC), Affiliated Computer Services International B.V., Conduent Finance, Inc., the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent.
	Incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K dated June 28, 2018. (See SEC File Number 001-37817).
10.1(e)	First Incremental Agreement, dated as of January 3, 2017, among JPMorgan Chase Bank, N.A., as Administrative Agent and Xerox Business Services, LLC.
	Incorporated by reference to Exhibit 10.1(b) to the Registrant's Annual Report on Form 10-K dated March 10, 2017. (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).

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 2020 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 2018 under the PIP, dated as of October 1, 2017.
	Incorporated by reference to Exhibit 10.6(a)(vii) to the Registrant's Quarterly Report on Form 10-Q dated May 9, 2018. (See SEC File Number 001-37817).
*10.6(a)(iii)	Form of Performance Stock Unit Award Agreement 2018 under the PIP, dated as of October 1, 2017.
	Incorporated by reference to Exhibit 10.6(a)(viii) to the Registrant's Quarterly Report on Form 10-Q dated May 9, 2018. (See SEC File Number 001-37817).

*10.6(a)(iv)	Form of Restricted Stock Unit Award Agreement 2019 under the PIP.
	Incorporated by reference to Exhibit 10.6(a)(ix) to the Registrant's Annual Report on Form 10-K dated February 28, 2019. (See SEC File Number 001-37817).
*10.6(a)(v)	Form of Performance Stock Unit Award Agreement 2019 under the PIP.
	Incorporated by reference to Exhibit 10.6(a)(x) to the Registrant's Annual Report on Form 10-K dated February 28, 2019. (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(a)(vi)	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)(vii)	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.(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.
*10.6(e)	Letter Agreement dated September 6, 2016 between Xerox Corporation and Brian Webb-Walsh regarding compensation arrangements.
	Incorporated by reference to Exhibit 10.13 to Registrant's Amendment No. 4 to Form 10 dated October 21, 2016. (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)	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).

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).

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 24, 2021

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 24, 2021

Signature	Title
Principal Executive Officer:	
/S/ CLIFFORD SKELTON **Clifford Skelton**	Chief Executive Officer and Director
Principal Financial Officer:	
/S/ BRIAN WEBB-WALSH **Brian Webb-Walsh**	Executive Vice President and Chief Financial Officer
Principal Accounting Officer:	
/S/ STEPHEN WOOD **Stephen Wood**	Vice President, Corporate Controller 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

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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.

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Conduent.com

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