

# TCFD disclosures



## TCFD disclosures

The following is our first Task Force on Climate Related Financial Disclosures Report. In this report, we provide disclosures on governance and strategy that build on our responses to CDP's Climate Change Questionnaire. In the future, we look to expand our TCFD disclosures, further aligning with the TCFD recommended topics.

### Governance

A) Describe the board's oversight of climate-related risks and opportunities.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Additional detail
Climate-related issues are incorporated into the discussions and updates at quarterly board and Corporate Social Responsibility and Public Policy (CSR & PP) Committee meetings	<ul style="list-style-type: none"> <li>Climate-related issues are incorporated into governance mechanisms associated with reviewing, developing and guiding strategy, business plans and related budgets, as appropriate</li> <li>Reviewing and guiding risk management practices</li> </ul>	Each member of the board of directors receives CSR & PP Committee materials, is invited to and may attend the CSR & PP Committee meetings and receives a report from the Committee chair during each board meeting	Pursuant to its charter, the board's CSR & PP Committee assists the board in providing oversight of Conduent's key ESG focus areas, while management is responsible for execution of these areas, which include climate-related issues such as energy and greenhouse gas emissions management and reductions; opportunities in clean technology; electronic waste and other recycling; business continuity in response to climate change and other environmental matters; supplier practices impacted by climate-related issues; and Conduent associate health/safety/well-being.

B) Describe management’s role in assessing and managing risks and opportunities.



Conduent has assigned day-to-day management of ESG risks and opportunities, including those related to climate matters, to the ESG Steering Committee, as set forth in the company’s Environmental Policy. The ESG Steering Committee is composed of senior leaders responsible for different functions, including Legal (Co-Chair), Marketing (Co-Chair), Investor Relations, Diversity and Inclusion, Human Resources, Real Estate, Strategy, Accounting, Procurement and Risk Management. The Committee members prepare materials for and/or present to the board’s CSR & Public Policy Committee on a quarterly basis. All materials are reviewed by Corporate Audit. The ESG Steering Committee meets monthly to discuss climate-related and other ESG issues, and to provide guidance to subject matter experts who execute tactical aspects of our overall strategy, including:

- Setting ESG strategy and financial planning, short-, medium- and long-term business plans/goals and related budgets to include consideration of climate-related risks and opportunities, including applicable guidance on major capital expenditures, acquisitions and divestitures
- Providing guidance on related policies, practices and partnerships to ensure compliance and alignment with overall corporate strategy
- Setting up systems to monitor and measure progress on key environmental targets and related initiatives and providing advice on how to improve performance in these areas
- Reviewing current and emerging sustainability issues, including climate-related issues
- Advising the CSR & PP Committee on shareholder proposals and sharing concerns related to sustainability
- Reviewing the sustainability strategy, policies, practices and disclosures for consistency

- Reviewing sustainability development strategies, policies and practices, compliance related to EH&S incidents/laws, current pending related legal actions against the company, and emerging issues, inspection audits and corrective action reports associated with climate-related issues
- Overseeing internal and external communications with employees, investors and other stakeholders regarding the company’s positions on or approaches to ESG matters (including climate-related ones), including the coordination and review of, as appropriate, draft responses, corporate social responsibility reports or other disclosures to stakeholders

## Strategy

A) Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term.

B) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.

As an organization, we have defined short-, medium- and long-term time horizons in the following chart.

	From (years)	To (years)		
Short-term	0	1	<p>Conduent was formed in 2017 as a standalone business process services and solutions company, as a spinoff from Xerox. 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 our dedicated people, processes, and technologies, Conduent solutions and services enhance customer experience, increase efficiencies, reduce costs and improve performance for most Fortune 100 companies and more than 500 government entities. Our overall strategy is guided by three goals of growth, efficiency, and quality. Our vision is to become the leading business services partner for companies and governments worldwide.</p> <p>Conduent has taken a holistic approach to managing its ESG strategy, risks and opportunities, including climate-related ones, that have the potential to have a material financial or strategic impact on our businesses.</p>	<p>Conduent organizes its operations in three segments, each of which support key ESG outcomes:</p> <p><b>Commercial Solutions</b>, our largest segment by revenue, provides a range of global business process services and solutions, including customer experience management; business operations solutions (e.g. document management, payments, accounts payable); commercial healthcare and claims management; human capital and learning services. This segment contributes to the good health and well-being of our clients’ employees, their customers and communities.</p> <p><b>Government Solutions</b> includes government healthcare solutions including Medicaid program management and pharmacy benefit management; payment solutions; child support services; and eligibility and enrollment support for social benefit programs. This segment enables governments to help alleviate poverty and hunger and enhance well-being.</p> <p><b>Transportation Solutions</b> provides systems, solutions and services to transportation departments and agencies globally. Primary offerings include electronic tolling, transit, parking and public safety solutions to enable agencies to capture revenue while improving traveler experiences, increasing public safety and accessibility, reducing congestion and emissions and modernizing multi-modal travel. Our solutions promote positive environmental impact and more sustainable cities and communities.</p>
Medium-term	1	3		
Long-term	3	4+		

Risk

The following are examples of climate-related risks and opportunities that management, under board oversight, has identified as potentially arising in each time horizon that may have a financially material impact on Conduent:

**Policy and Legal: Enhanced emissions-reporting and -reduction obligations**

Risk rating	Time period	Description	Impacts	Financial implications and response
High	Short-term	Our results of operations and financial condition could be materially adversely affected by legal and regulatory matters in the U.S. and outside the U.S., including those arising from changes in securities and environmental laws, particularly those that would require enhanced greenhouse gas (GHG) emission disclosures and reductions by Conduent, our suppliers and our clients.	Low-Medium	Such laws and regulations could result in devoting increased funding and resourcing to ensure compliance therewith. The terms of our indebtedness may also restrict our ability to incur debt that we may need to fund initiatives necessary to respond to changes in government regulations.  We will monitor global regulations and set up internal systems to measure emissions across the company, including Conduent’s supply chain. We will continue to respond to voluntary emission-reporting disclosures, such as the CDP Climate Change Questionnaire which requires quantifying Scope 1 and 2 emissions globally.

**Acute and Chronic Physical Risks: Natural disasters or effects of climate change**

Risk rating	Time period	Description	Impacts	Financial implications and response
High	Short, Medium, Long-term	Conduent occupies a sizeable global real estate footprint, with a global workforce and global clients. Our employees and clients in a particular country or region in the world may be impacted as a result of a variety of disruptions, including 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). These disruptions could impact the ability of our personnel to travel to their workplaces, have uninterrupted telephone and data services, and deliver services to our clients. There may also be financial impacts due to associated penalties for missing contractually obligated service level agreements.	Low-Medium	In the event of a disruption in a country or region where we have a significant workforce (such as the U.S., India or the Philippines), clients (such as those in the U.S. or Europe), or vendors (such as telephone or data service providers), our business and associated revenues could be materially adversely affected. This financial impact could be lost revenue from not being able to maintain business continuity, or service level agreement penalties as well as costs associated with repairing damage to our sites.  Our sites have tailored emergency response/business continuity plans to protect our operations in the event of natural disasters and climate change events. These plans are designed to protect the safety and security of our associates while also minimizing the risk of client service disruptions — including mitigating risk by shifting work to other geographies or time shifts. In addition, our data centers are geographically dispersed and have automated fail-over protocols to prevent disruptions. The plans are periodically exercised via test scenarios and updated as appropriate.

**Reputation: Shifts in client preferences, resulting in demand for more sustainable operations**

Risk rating	Time period	Description	Impacts	Financial implications and response
Medium	Medium-term	To attract and retain large outsourcing contracts, Conduent sometimes makes significant capital and other investments to enable us to perform our services under those contracts — such as servicing those clients from more sustainable facilities and providing those clients with data about emissions or recycling from those operations. To the extent that we rely on third-party providers, such as subcontractors and utility and network providers, our client contracts increasingly expect these providers to also have more sustainable facilities and to provide emissions data to Conduent. Requests for such emissions data are increasing in frequency.	Medium	<p>With increased demand for more sustainable operations and facilities, our costs (capital and operating) to meet those requirements are likely to increase. This could result in margin compression unless we are able to include those costs in the contracts we have with clients. The competitive environment may throttle how much of the costs may be passed on to clients. We may also incur additional liabilities if our third-party providers do not meet our or our clients' expectations for more sustainable business practices.</p> <p>We will continue to monitor new developments in sustainable technology as input to our capital allocation strategy as well as changing client preferences for doing business with service providers that have more sustainable operations.</p>

**Technology: Lack of investment in new technologies**

Risk rating	Time period	Description	Impacts	Financial implications and response
Moderate	Medium-term	Our results of operations and financial condition could be materially adversely affected by failing to develop new service offerings — including new technology components that address climate change issues, which would impact our ability to retain current clients, attract new clients and risk revenue decline.	Medium	<p>Lack of technologies that address climate change issues could result in lost business with existing clients or lack of ability to attract new clients who have certain climate-related technology requirements, resulting in reduced revenue. The terms of our indebtedness may also restrict our ability to incur debt that we may need to fund initiatives necessary to develop such new service offerings to respond to changes in our business and the industries in which we operate.</p> <p>To respond to demand for new service offerings that address climate change issues, Conduent will continue to monitor client needs and market changes, as well as maintain a disciplined approach to investing in new technologies.</p>

## Opportunities

The following are short-, medium- and long-term opportunities:

Markets: Access to public sector infrastructure investments			
Opportunity rating	Description	Impacts	Financial implications and response
High	As governments are setting mandates to address climate-related problems, we have the opportunity to be a partner to provide services and solutions that help to solve these problems and capture a portion of the infrastructure investments.	High	We have the opportunity to increase revenue through access to new and emerging markets in both our Government and Transportation businesses, such as fraud prevention and smart city infrastructure. Conduent's Government and Transportation Solutions segments are working to make a difference for constituents, citizens and travelers. With public-sector initiatives such as U.S. President Biden's executive order for clean energy and enhanced sustainability solutions, we are poised to capture new opportunities for revenue growth.

Products and services: Digital solutions			
Opportunity rating	Description	Impacts	Financial implications and response
High	Increasingly, our clients are demanding lower-emission digital services and solutions. For some of our solutions, we can offer our clients digital solutions that help them reduce their environmental footprint.	High	<p>We have the opportunity to expand our revenues through greater penetration of existing digital solutions and continued development of new digital solutions. As a result, we continue to develop digital solutions that meet client requirements and could therefore increase company revenues. Some examples include:</p> <p><b>Transportation:</b> Reducing congestion, emissions and paper-consumption through all-electronic toll collection (AET) for traffic tolling; cashless fare collection for public transit buses; dynamic pricing in curbside management; and analytics-based public safety and congestion management solutions. Indirectly, Conduent solutions include distance-based tolling which enables government agencies to maintain sustainable funding for their highways and other infrastructure projects across the respective government's scope of operation.</p> <p><b>Government Payments:</b> The use of digitally reloadable electronic payment cards for a variety of government benefit programs, which reduces both the paper used for checks as well as the carbon footprint associated with the periodic delivery of paper checks. This also results in more timely receipt of funds for our clients' end users.</p> <p><b>Commercial:</b> Digitizing document management services (digital scanning and digital mailroom services). This reduces the need or desire for paper and automates processes to reduce manual effort, improve efficiency and lower client costs. Indirectly, we employ omnichannel solutions to shift end users to more digital types of interactions rather than paper-based.</p>

**Resilience: Global organizational footprint**

Opportunity rating	Description	Impacts	Financial implications and response
Medium	Conduent has a global footprint with geographically dispersed sites, data centers and workforces to mitigate risk of extreme weather events in a specific geography.	Low	<p>We are positioned to maintain or increase client revenues and company market valuation through resiliency/ business continuity planning that enables us to maintain service, insulating us from geographic climate-related events, and making us a partner of choice.</p> <p>Our sites have tailored emergency response / business continuity plans to protect our operations in the event of natural disasters and climate change events. These plans are designed to protect the safety and security of our associates while also minimizing the risk of client service disruptions — including mitigating risk by shifting work to other geographies or time shifts. In addition, our data centers are geographically dispersed and have automated fail-over protocols to prevent disruptions. The plans are periodically exercised via test scenarios and updated as appropriate.</p>

**Energy source: Purchasing or generating renewable energy**

Opportunity rating	Description	Impacts	Financial implications and response
Medium	We plan to pursue a renewable energy procurement strategy in the higher-density countries (people or sites) in which we operate.	Low-Medium	By increasing our use of renewable energy, we lower our carbon footprint, making our company a more desirable business partner for our clients, which should positively impact revenue retention and growth. Over time, we expect that renewable energy sources will also be less expensive options for our company, further reducing our costs and our sensitivity to changes in the cost of carbon-based fuel sources.

**Products and services: Shifts in client preferences for more sustainable business practices and offerings**

Opportunity rating	Description	Impacts	Financial implications and response
Low	Our commitment to reducing greenhouse gas emissions and optimizing energy usage is increasingly becoming an integrated part of our value proposition to existing and potentially new clients. We anticipate demand will continue to grow for companies who place an emphasis on reducing greenhouse gas emissions and using lower and no-carbon energy solutions — not only in their operations but also through their suppliers. We have an opportunity to expand our revenue by promoting our ESG initiatives to gain greater consideration and new business from environmentally conscious companies.	High	As we continue to adopt more sustainable practices and disclosures, we expect to win more business as more clients require sustainability-focused business partners who can provide environmentally-focused disclosures.



## Resource efficiency: Ability to work from home

Opportunity rating	Description	Impacts	Financial implications and response
Low	We have demonstrated that when required, we can maintain service delivery with 75% of our associates working from home. This enables us to maintain service delivery in the event of on-site disruptions such as inclement weather or pandemic mandates. In addition, we have shifted our hybrid work model to have a greater percentage of work-from-home associates.	Medium	<p>This results in benefits to workforce management and planning (e.g., enhanced satisfaction by Conduent associates who appreciate the flexibility to work remotely), resulting in lower operational costs if sites are unoccupied (e.g., lower energy use) and the ability to optimize our real estate portfolio.</p> <p>We continue to optimize remote-only or hybrid work models for associates, including the benefits of associate retention/satisfaction, recruitment of more skilled associates from more locations in a highly competitive job market and reduced real estate footprint.</p>

## Resource efficiency: Upgrade facility equipment to reduce operating costs

Opportunity rating	Description	Impacts	Financial implications and response
Low	Conduent is focusing on high Seasonal Energy Efficiency Ratio (SEER) Heating Ventilation Air Conditioning (HVAC) equipment and converting lighting to LEDs in our offices and data centers. We have also made investments in building management systems (BMS) to ensure we are not using excess power when space is empty.	Low-Medium	<p>Capital investment in facility improvements and high efficiency equipment should decrease operating expenses and lower utility bills. These investments should be paid back in energy savings. We also anticipate increased revenues from clients that value resource efficiency and disclosure by their service providers.</p> <p>We continue to explore more high-efficiency equipment that should decrease operating expenses, including lowering utility bills. We are conducting energy and lighting audits of our sites on a rolling basis to identify conservation opportunities. This also helps us be responsive to increasing client requests for lower greenhouse gas emissions by their services providers, thereby expanding our revenue opportunity.</p>

## Cautionary Statements

This report contains environmental, social, governance and other information about Conduent, Incorporated and certain of its business segments. Statements regarding our future direction and intent represent goals and objectives only and are subject to change or withdrawal without notice.

This report may contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “expect,” “plan,” “intend,” “will,” “aim,” “should,” “could,” “target,” “may,” “continue to,” “if,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Readers should not place undue reliance on forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by law, we undertake no obligation to update or revise our forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they include, but are not limited to, factors described under “Forward-Looking Statements” and “Risk Factors” in Conduent’s most recent Form 10-K and Form 10-Qs filed with the United States Securities and Exchange Commission (SEC).

Except where noted, the information covered in this report highlights our environmental, social, governance and other performance and initiatives in fiscal year 2021. All calculations and statistics are in part dependent on the use of estimates and assumptions based on historical levels and projections and are therefore subject to change. This report has not been externally assured or verified by an independent third party.

The inclusion of information or absence of information in this report should not be construed to represent Conduent’s belief regarding the materiality or financial impact of that information. For context on information that is material to Conduent, please see our filings with the SEC, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

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