

Purchase Order Process Document

User Reference Guide

Cognizant's "Procure-to-Pay" (P2P) initiative is designed to make it easier to conduct business for the thousands of Cognizant suppliers whose products and services are needed to support the company's mission.

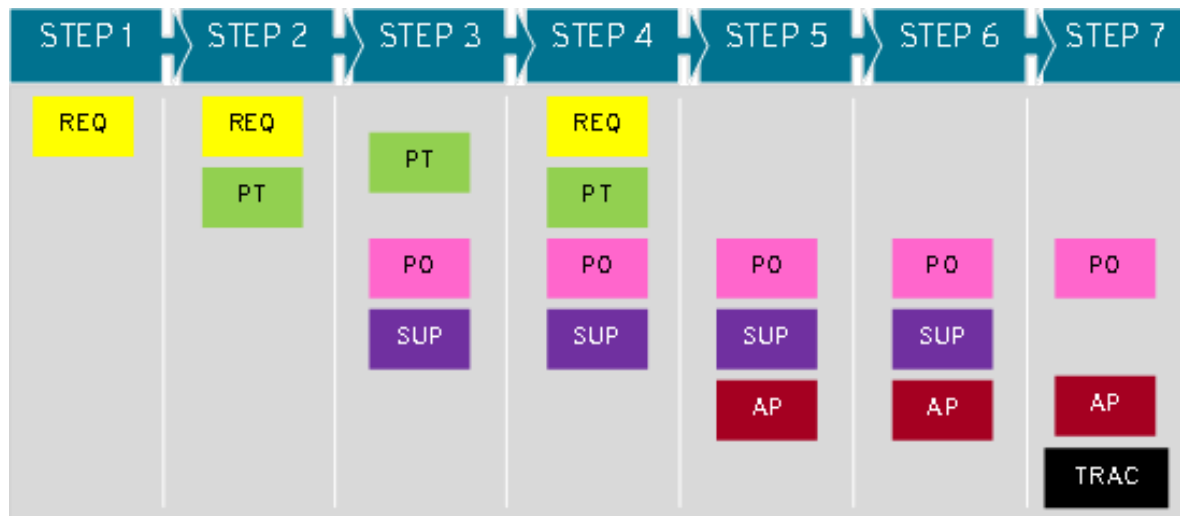
This guide to using purchase orders, and the more in-depth P2P website (www.cognizant.com/Procure-to-Pay), are part of a long-term commitment to streamlining Cognizant P2P processes and providing clear guidance for Cognizant employees and our suppliers. Making the company's P2P processes transparent to all participants in the P2P process will result in greater purchasing efficiency and stronger relationships with our suppliers.

The purchase order (P.O.) method outlined in this guide is used for more than 80% of all purchases in Cognizant. It is the least time- and paperwork-intensive method to procure and pay for products and services. A P.O. streamlines the typical transaction by requiring a requisitioner to be specific when ordering; it commits the company to fund the purchase; allows a supplier to deliver as requested; and, ultimately, when matched to a supplier invoice, enables the company to pay the supplier within agreed payment days.

By following certain simple procedures outlined in this reference guide, Cognizant purchase users/employees/requisitioners and suppliers will be able to take full advantage of the PO process.

The Procure-to-Pay process can be viewed as a series of linked steps in which different participants play a role. The chart provides an overview of who participates in each step, and the color-coded listing to the right provides a definition for each role.

The P2P team invites you to explore the process, FAQs, and links to important Cognizant resources in greater detail at (cognizant.com/Procure-to-Pay/SupplierPortal).



Each participant in the P2P process plays an important role in making a transaction proceed smoothly—this includes a purchase requisitioner’s informed purchasing behavior, a Procurement Buyer’s vigilance on POs/contracts, and a supplier’s cooperation in sending invoices directly to Accounts Payable. All of these facilitate the transaction.

Role Definitions:



Requisitioner (REQ) refers to any employee of Cognizant or an authorized POC of a department, who determines that a certain product or service is needed, at a specific time and place.

The **REQ** initiates the purchase request by entering all purchase specifications and details in the Cognizant CAPPS/ARIBA system.

A request initiated by the **REQ** seeks approval for the purchase with the appropriate approval authority.

The **Global Procurement Buyer (PT)** verifies all purchase information in CAPP/ARIBA, identifies the funding source, and seeks approval for the buyer and product selection with the appropriate approval authority. The **PT** is also responsible for reviewing and approving all contracts and lease agreements, and for assisting with all purchasing and supplier questions.

Purchase Order (P.O.) is an automated document that is released out of CAPP/ARIBA system.

Supplier refers to an approved P.O. requested by an authorized POC who provides Cognizant with necessary products and services. The approved suppliers can be found in the CAPP/ARIBA system for the users of Cognizant.

Accounts Payable receives invoices directly from suppliers and enters them into CAPP/CATALYST, where the system matches them with the PO or Contract and approves and processes invoices for payment within agreed terms.

Track refers to the P2P CoE who use P2P performance metrics to track and improve business processes at Cognizant.



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◆ Determine What, when, where and for what reason you need a product or service.

◆ Make sure that all information is entered correctly in the Purchase request and that valid Contracts/Agreements and leases are available at the time of purchase.

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STEP 1: Identify Need

The Procure-to-Pay (P2P) process begins when an associate of Cognizant or an authorized P.O.C in a department decides a product or service is needed—at that moment, he or she becomes the “Requisitioner (REQ)”.

Every associate is expected to make an informed purchasing decision in line with the Cognizant's policies and authorized buying methods, typically a purchase order (P.O.), to ensure that:

- Transactions proceed smoothly
- The correct products or services are delivered to the right place at the right time
- Suppliers are paid on time

To play the role of “Requisitioner (REQ),” you need only provide a request for purchase (requisition) and PO in Cognizant's CAPPs/ARIBA system on the specifications of a product or service you need—such as what, when, where, and for what project or activity.

In case the Requisitioner identifies the supplier for their business, remind your suppliers that in order to receive payment on time, they must have an approved PO before attempting delivery, their invoice must match the P.O. specifications, and they must send the physical invoice directly to the [Accounts Payable team](#).

REQ

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STEP 2: Initiate Purchase

The requisitioner (REQ) initiates the purchase request correctly in Cognizant's CAPPs/ARIBA system and that it adheres to Global P2P policies.

It is crucial for the requisitioner (REQ) to determine the authorized buying method—for example, the purchase order, the Contract/Agreement, Purchasing Card of which the purchase order is primary.

The requisitioner, in most cases, will provide the basic specifications for the purchase—such as the part number, make, product types (for non-catalog orders), sourcing and funding information (if known), special instructions, and/or unique requirements for equipment, facilities. These are needed to submit and process the request for purchase, which is necessary to collaborate, negotiate with the supplier and create a purchase order in Step 3.

♦ The supplier's invoice cannot be processed and paid in a timely manner without a corresponding P.O.

♦ Check deliverables against the packing slip or Purchase Order.
 ♦ The Supplier must send their physical invoice directly to AP to receive payment within terms.

3 STEP 2: Competitive Bidding & Issue P.O.

4 STEP 4: Take Delivery/ Create Receipt

The Procurement Buyer (PT) will review the purchase request, initiate for competitive bidding requirements and, if required, gather additional information. They will update the GL based on the purchase type and review all contracts and leases prior to final approval of the P.O.

The delivery of the requested products or services marks a transition from purchasing activity to Accounts Payable (A/P) activity. Upon successful delivery, the supplier sends an invoice directly to A/P for payment. The requisitioner or an authorized department P.O.C takes delivery of the order, and creates a receipt for the order in the CAPPS/ARIBA system.

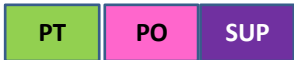
Cognizant formalizes its purchase of products or services by creating and issuing a purchase order (PO) to a supplier. Once a P.O. is issued, Cognizant is committing its funds and agreeing to pay the supplier within the specified terms. A supplier (SUP) should not respond to a request for products or services until the PO has been received.

As the requisitioner, you are expected to inspect, verify, and sign for satisfactory delivery—or, in the case of unsatisfactory delivery or performance, to initiate a return and/or a claim directly with the supplier. (Be sure to retain and forward any documents associated with your claim to your business office.) Once the products or services have been received in good order, it is important to complete the receipt process in CAPPS/ARIBA so that the supplier's invoice can be processed and paid in Steps 5 and 6, respectively.

The supplier's invoice cannot be processed and paid in a timely manner without a corresponding P.O. As a Procurement buyer, you are responsible for following up on a request for purchase initiated by the requisitioner with the supplier.

The Procurement team verifies the funding source, ensures that sufficient funds are available, reviews all information related to the purchase, and approves the request for P.O. release. Once the request is approved, the P.O. will automatically be transmitted to the supplier via Electronic Data.

Cognizant uses Interchange (EDI) for ARIBA-enabled suppliers and/or uses CATALYST for non-enabled suppliers.



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♦ EDI enabled suppliers also need to send physical invoices to AP to receive payment within terms
 ♦ It can take 2 business days for a physical invoice to be loaded into CAPPS/Catalyst system

5 STEP 5: Process Invoice

Invoice processing and payment activities are made easy by Accounts Payable (A/P) by launching with the new payment system, CAPPS/Catalyst.

Therefore, the extent to which the requisitioner, Procurement Buyer, and supplier adhere to Cognizant's preferred business practices and policies directly determines A/P's ability to process and pay a supplier invoice within negotiated terms. When all participants/users in the P2P process follow Cognizant policy, supplier payment becomes straightforward: A supplier invoice is sent directly to A/P, entered into the A/P system both electronically or manually, matched with its corresponding PO and placed in a queue for payment in Step 6. Exceptions are physical invoices not submitted directly to A/P and related electronic invoices that are on "Reject/hold." Invoice rejects are created for a variety of reasons (missing information, price or quantity variances, etc.) and must be "approved" by a payment manager before an invoice can be processed for payment.

PO SUP AP

♦ Check deliverables against the packing slip or Purchase Order.
 ♦ Supplier must send their physical invoice directly to AP to receive payment within terms
 ♦ Invoices are selected for payment by CAPPs/Catalyst based on invoice and payment terms

6 STEP 6: Pay

Once an invoice is entered into Cognizant's financial system (CAPPS/Catalyst) in Step 5 and placed in the queue for payment, payment activities in Step 6 are completely in the CAPPS/CATALYST system. A/P personnel physically do the 2-way/3-way match for invoices. Each day, CAPPS selects invoices eligible for payment (invoices not on rejects/hold) based on the invoice date and approved supplier payment terms.

Typically the standard payment terms are 30 days, or other different terms are negotiated and approved by the Global Procurement Team.

Mindful purchasing behavior and adherence to Cognizant policy as described in these simple steps will ensure that products and services are delivered when and where needed, and suppliers are paid on time. Exceptions to the process (e.g., processing orders placed by phone, invoices sent to the requisitioner's department, etc.) are not acceptable. They create unnecessary invoice rejects/holds, which consume scarce resources, delay payment, and damage Cognizant's relationships with its suppliers.

That's why Step 7, which details the reporting metrics built into the P2P process to track and continually improve performance, is so important.

PO SUP AP

◆ Exceptions to P2P are tracked and analyzed to guide continual process improvement.

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STEP 7: Track & Improve

To ensure that the Procure-to-Pay process is functioning according to design, measurements are essential. Continual process improvement can be guided by meaningful metrics such as compliance with requisitioning requirements, reduction of invoice rejects/holds, use of preferred suppliers, and percentage of payments made within terms. Monitoring and resolving unnecessary process exceptions will reduce administrative time and costs for both Cognizant and our suppliers.

P2P Process monitoring - Key performance metrics identify exceptions in the P2P process for the internal users or participants in the P2P work flow.

Supplier issues - Exceptions resulting from supplier order fulfillment or invoicing should be communicated to the Global Procurement team and [Global Vendor/AP Helpdesk](#) for resolution.

System issues - Exceptions due to CAPPs/ARIBA/Catalyst issues should be documented and reported to the technical team to address and correct the issue.

Identify Expectations through reports - P2P CoE and operations representatives are responsible for using the P2P reports to identify and reduce or eliminate exceptions.

The P2P CoE team will work with the requisitioner, buyers and AP to design and implement corrective actions for process exceptions.

COGNIZANT CAPPs

PROCURE-TO-PAY MADE EASY

Making it easier for Cognizant to conduct business with its suppliers by making financial activities more streamlined, efficient and transparent.



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