

IT Outsourcing Cost-of-Living Adjustment (COLA) Provisions Checklist

| Checklists | Status | Notes |
|--|--------|-------|
| 1. What is a COLA provision? (A provision that calls for an adjustment to the fees to reflect inflation) | | |
| 2. At what point during the term of the Agreement will COLA apply? | | |
| Is any inflation built into the fees? | | |
| To what extent should the vendor be managing inflation? | | |
| 3. To what fees does COLA apply? (Typically labor portions only; even for fees that are labor based, there is typically some portion attributable to overhead/ administration) | | |
| 4. To what extent should a COLA increase be offset by a pricing decrease (e.g., productivity gains)? | | |
| 5. Will there be any risk-sharing mechanisms (e.g., if COLA exceeds 4 percent, then the parties will share amounts over 4 percent on a 50/50 basis)? | | |
| 6. Different indices for the Unites States and other countries | | |
| 7. Choosing an index | | |
| Consumer Price Index | | |
| Employment Cost Index | | |
| General indices vs. specific goods/services | | |
| No IT services index | | |
| U.S. vs. Regional/City indices | | |
| 8. Sample Indices (see attached): | | |
| Percentage increases vs. percentage point increases | | |
| Mechanisms for changes to the indices | | |
| 9. New developments | | |