

**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 January 31, 2020
OR

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

For transition period from _____ to _____
Commission File Number 001-35680

WORKDAY, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-2480422 (I.R.S. Employer Identification No.)
6110 Stoneridge Mall Road Pleasanton, California 94588 (Address of principal executive offices)	
(925) 951-9000 (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
Class A Common Stock, par value \$0.001	WDAY	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

Indicate by a 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 (the “Exchange Act”) 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 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 the 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	☐	Smaller 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 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 stock of the registrant as of July 31, 2019 (based on a closing price of \$199.98 per share) held by non-affiliates was approximately \$32.9 billion. As of February 28, 2020, there were approximately 170 million shares of the registrant’s Class A common stock and 62 million shares of the registrant’s Class B common stock outstanding.

Meeting of Stockholders to be held in 2020. The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year ended January 31, 2020.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which are subject to safe harbor protection under the Private Securities Litigation Reform Act of 1995. All statements contained in this report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “plan,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the “Risk Factors” section, which we encourage you to read carefully. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied by the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activities, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

As used in this report, the terms “Workday,” “registrant,” “we,” “us,” and “our” mean Workday, Inc. and its subsidiaries unless the context indicates otherwise.

Our fiscal year ends on January 31. References to fiscal 2020, for example, refer to the year ended January 31, 2020.

ITEM 1. BUSINESS

Overview

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world’s largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday. We achieved this leadership position through our innovative and adaptable technology, our core values, and our commitment to customer satisfaction. Workday is leading the way in helping organizations better manage their financial and human capital resources with one system that helps enable them to plan, execute, analyze, and extend — all powered by machine learning.

Organizations today operate in environments that are highly complex and changing at an increasingly rapid rate. Managers and employees must synthesize vast amounts of information and react quickly to changes in global business and regulatory environments. To be successful, they need adaptable software that enables informed decision making about the enterprise-wide allocation of their current and future people and financial resources. Additionally, managers and employees expect to interact with enterprise systems in an open, intuitive, and collaborative way, including real-time access through a wide range of mobile and computing devices.

Workday is delivered in the cloud, enabling organizations to embrace change in their operating environments. Our rapid innovation cycles provide customers with new product functionality, support for regulatory requirement updates, increased performance, and an enhanced user experience, all delivered via biannual feature releases in addition to weekly updates that require minimal downtime. With this product delivery model, Workday customers benefit from the most current technologies without the burden of costly, time-consuming upgrades typically associated with traditional on-premise software. Through every update and feature release, all Workday customers remain on the same version of the software, with access to one data model, one security model, one user experience, and one Workday community.

Our innovative technology leverages the most recent advances in cloud computing and data management, allowing us to deliver applications that are highly functional, flexible, secure, and fast. This approach substantially reduces the need for our customers to buy and support a broad range of IT infrastructure, significantly reducing costs and minimizing complexity. Key features of our technology infrastructure include:

- a multi-tenant architecture, in which customers are on the same version of our software, enabling innovations to be deployed quickly;
- objects that represent real-world entities, such as employees, benefits, budgets, charts of accounts, and organizations, combining business logic and data in one place and creating actionable analytics that are part of our core transactional system of record;
- in-memory data management, allowing the rapid and efficient delivery of embedded business intelligence;
- embedded machine learning, providing better predictions so customers can make more informed financial and workforce decisions; and
- open, standards-based web-services application programming interfaces and pre-built packaged integrations and connectors.

Our Products

Workday Financial Management

Workday Financial Management is a comprehensive, unified set of applications built on a single global core with a full range of financial capabilities, relevant analytics and metrics, and fully auditable process management built to help streamline financial processes for global organizations. Workday Financial Management provides core finance functions, including:

- general ledger, accounting, accounts payable, accounts receivable, cash management, asset management, revenue management, and grants management; and
- built-in financial, operational, and management reporting and analysis in real time without the use of complex and expensive bolt-on business intelligence systems.

Workday Spend Management

- Workday Expenses delivers user-friendly technology to capture, monitor, and control employee expenses on any device
- Scout Sourcing from Scout RFP (“Scout”), acquired by Workday in December 2019, helps organizations source faster and improve spend outcomes from project intake to contract and supplier management
- Workday Procurement provides a single solution to manage the procure-to-pay process for both goods and services spend
- Workday Inventory provides an end-to-end solution for all aspects of the materials management process that helps organizations manage their internal supply chain.

Workday Accounting Center

Workday Accounting Center, which we currently expect to be available in fiscal 2021, will provide a single point of control and maintenance for accounting rules across an organization, automating accounting and enriching financial data for reporting and analysis by transforming business activity from various data sources, such as loan origination systems or insurance claims systems, into journal entries.

Workday Human Capital Management

Workday Human Capital Management (“HCM”) enables organizations to attract, manage, develop, and retain their global workforce. Workday HCM includes:

- Global human resources management, including workforce lifecycle management, organization management, compensation, absence, and employee benefits administration;
- Global talent management including goal management, performance management, succession planning, and career and development planning; and
- Skills cloud, a machine-learning-powered universal skills language to help source, utilize, develop, and retain talent with the necessary skills to meet evolving business needs.

Workday Talent Management

- Workday Recruiting helps hiring managers, the interview team, and recruiters acquire talent faster, while supporting the candidate experience
- Workday Learning combines peer-generated content, interactive media, and learning management in a single application, delivering a unified learning experience across the workforce
- Workday People Experience applications, which we currently expect to be available in fiscal 2021, will use machine learning to curate unique experiences by user, such as guidance in career development, answers to human resources and payroll questions, and customized content
- Workday Credentials, which we currently expect to be available in fiscal 2021, will allow organizations to issue verified credentials such as employment history, education, skills, and compensation information to individuals. Individuals will be able to manage and share their credentials via a mobile app
- Workday Talent Optimization, which we currently expect to be available in fiscal 2021, will provide innovative solutions to help organizations grow and develop talent, including a talent marketplace to connect employees to internal opportunities matched to their skills and interests, a career hub to help employees grow their careers with machine learning-driven career guidance and learning recommendations, and employee experience analytics to provide leaders with on-demand access to employee engagement insights.

Workday Workforce Management

- Workday Time Tracking, our time and attendance management application, is designed to automate workforce management processes, reducing costs and compliance risks
- Workday Payroll addresses a full spectrum of enterprise payroll needs with control, accuracy, and flexibility. We provide payroll solutions in the U.S., Canada, the UK, and France as well as a global payroll cloud partner program to support additional customer needs.

Adaptive Insights Business Planning Cloud

Adaptive Insights Business Planning Cloud helps organizations better plan, execute, and analyze across the enterprise. It empowers finance, human resources, and business units with flexible modeling capabilities that enable collaborative, company-wide business planning, including financial, workforce and sales planning.

Workday Analytics Offerings

Workday Prism Analytics enables customers to bring together data from Workday or any other source and blend, transform, and prepare it for analysis, while providing finance and human resources teams with secure, self-service access to the data they need.

Workday People Analytics uses augmented analytics to surface key insights on human resources areas, such as hiring, organizational composition, and diversity and inclusion, and narrate the findings in a natural language called a “story.” This reduces time spent on manual data exploration, while empowering decision-makers to take action on critical trends.

Workday Data-as-a-Service (“DaaS”) is a cloud service that provides valuable data to customers to enable more informed decision making. Workday Benchmarking is a Workday DaaS offering that provides key metrics to customers seeking a better understanding of their company’s relative performance in comparison to peers to help achieve optimal performance in their respective markets.

Workday Industry Solutions

Workday Student is a student and faculty information system to help colleges and universities manage the student lifecycle, including admissions and recruiting, financial aid, student records, and curriculum management. The Workday Student application suite includes: Academic Foundation, Student Recruiting, Student Admissions, Curriculum Management, Student Records, Academic Advising, Financial Aid, Student Financials, and Student Recruiting.

Workday Professional Services Automation supports the complete billable projects lifecycle, including project and resource management, time and expense tracking, project billing, revenue recognition, financial reporting, and analytics within a single solution.

Workday Healthcare combines procurement, inventory, financials, planning, and analytics in a single cloud-based system. This solution helps healthcare providers reduce supply chain costs, improve inventory control, and automate purchasing and tracking of items and services needed to support patient care.

Workday Cloud Platform

Workday Cloud Platform is designed to allow customers to extend Workday's core applications, enabling customers to address unique business or industry use cases. The platform includes tools for building, deploying and serving extension applications from within the Workday cloud.

Customers

Our diverse customer base includes medium-sized and large, global companies, as well as smaller organizations that primarily use our planning product. Our customers span numerous industry categories, including technology, financial services, business and professional services, healthcare and life sciences, manufacturing, retail and hospitality, education, government, and non-profit. No individual customer represented more than 10% of our revenues during fiscal 2020.

We have built a company culture centered around customer success and satisfaction. As part of this, we have designed programs to provide customers with service and education options to enhance their experience with our applications. These options include 24/7 support; training; a professional services ecosystem of trained Workday consulting teams and system integrators; a Customer Success Management group to assist customers in production; and Workday Community, an online portal where customers can collaborate and share knowledge and best practices.

Backlog

Backlog, which is equivalent to our remaining performance obligations, represents our total contractual commitments for which subscription services will be performed. Backlog generally increases with bookings and generally converts into revenue as contractual commitments are fulfilled. For further information, see Note 15, Unearned Revenue and Performance Obligations, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Employees

As of January 31, 2020, we had approximately 12,200 employees. We also engage contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Sales and Marketing

We sell Workday subscription services primarily through our direct sales organization, which is comprised of field sales and field sales support personnel. The Workday Field Sales team is aligned by geography, industry, and/or prospect size. We generate customer leads, accelerate sales opportunities, and build brand awareness through our marketing programs and strategic relationships. Our marketing programs target senior business leaders, including finance, procurement, human resources, and IT executives.

As a core part of our strategy, we have developed an ecosystem of partners to both broaden and complement our application offerings and to provide services that are outside of our focus. These relationships include software and technology partners, consulting and deployment service providers, Workday Ventures partners, and business process outsourcing partners, who help enable Workday to address challenges our customers face while focusing on executing against our strategy.

Product Development

Our ability to compete depends in large part on our continuous commitment to product development and our ability to rapidly introduce and acquire new products, technologies, features, and functionality. Our product development organization is responsible for product design, development, testing, and certification. We focus our efforts on developing new products and core technologies as well as further enhancing the usability, functionality, reliability, security, performance, and flexibility of existing products.

Competition

The overall market for enterprise application software is rapidly evolving, highly competitive, and subject to changing technology, shifting customer needs, and frequent introductions of new products. We currently compete with large, well-established, enterprise application software vendors, such as Oracle Corporation ("Oracle") and SAP SE ("SAP"). We also face competition from other enterprise software vendors, from regional competitors that only operate in certain geographic markets, and from vendors of specific applications that address only one or a portion of our applications, some of which offer cloud-based solutions. These vendors include The Ultimate Software Group, Inc.; Automatic Data Processing, Inc.; Infor, Inc.; Ceridian HCM Holding Inc.; Microsoft Corporation; Anaplan, Inc.; and Coupa Software Inc.

In addition, other cloud companies that provide services in different markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. However, the domain expertise that is required for a successful solution in the areas of financial management, HCM, and analytics may inhibit new entrants that are unable to invest the necessary capital to accurately reflect global requirements and regulations. We expect continued consolidation in our industry that could lead to significantly increased competition.

We believe the principal competitive factors in our markets include:

- level of customer satisfaction and quality of customer references;
- speed to deploy and ease of use;
- breadth and depth of application functionality;
- total cost of ownership;
- brand awareness and reputation;
- adaptive technology platform;
- capability for configuration, integration, security, scalability, and reliability of applications;
- operational excellence to ensure system availability, scalability, and performance;
- ability to innovate and rapidly respond to customer needs;
- domain expertise on financial, human resources, and payroll regulations;
- size of customer base and level of user adoption;
- customer confidence in financial stability and future viability; and
- ability to integrate with legacy enterprise infrastructures and third-party applications.

We believe that we compete favorably based on these factors. Our ability to remain competitive will largely depend on our ongoing performance in product development and customer support.

For more information regarding the competitive risks we face, see the information under “Item 1A: Risk Factors” included elsewhere in this report.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. We require our employees, contractors, consultants, suppliers, and other third parties to enter into confidentiality and proprietary rights agreements, and we control access to software, documentation, and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights, and trademarks, as well as contractual protections and controls to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel; creation of new products, features and functionality; and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position.

Corporate Information

We were incorporated in March 2005 in Nevada, and in June 2012 we reincorporated in Delaware. Our principal executive offices are located at 6110 Stoneridge Mall Road, Pleasanton, California 94588, and our telephone number is (877) WORKDAY. Our website address is www.workday.com. The information on, or that can be accessed through, our website is not part of this report. Workday, the Workday logo, our Built for the future® tagline, and other trademarks of ours are our registered intellectual property in the United States and elsewhere. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements, and amendments to reports filed or furnished pursuant to Sections 13(a), 14, and 15(d) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”). The public may obtain these filings from the Securities and Exchange Commission (“SEC”)’s website at <http://www.sec.gov>, which contains reports, proxy and information statements, and other information regarding Workday and other companies that file materials with the SEC electronically. Copies of Workday’s reports on Form 10-K, Forms 10-Q, and Forms 8-K, may be obtained, free of charge as soon as reasonably practicable after we file such material with, or furnish such material to, the SEC, electronically through our website, http://www.workday.com/company/investor_relations/sec_filings.php.

Workday uses its blogs.workday.com website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including the consolidated financial statements and the related notes included elsewhere in this report, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that materially and adversely affect our business. If any of the following risks actually occurs, our business operations, financial condition, operating results, and prospects could be materially and adversely affected. The market price of our securities could decline due to the materialization of these or any other risks, and you could lose part or all of your investment.

Risk Factors Related to Our Business

If our security measures are breached or unauthorized access to customer or user data is otherwise obtained, our applications may be perceived as not being secure, customers and end users may reduce the use of or stop using our applications, and we may incur significant liabilities.

Our applications involve the storage and transmission of our customers' sensitive and proprietary information, including personal or identifying information regarding our customers, their employees, customers, and suppliers, as well as financial and payroll data and other sensitive business and personal information. As a result, unauthorized access, acquisition, use, or destruction of this data, or unavailability of data, could expose us to regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, supplemental disclosure obligations, loss of customer, consumer, and partner confidence in the security of our applications, destruction of information, indemnity obligations, impairment to our business, and resulting fees, costs, expenses, loss of revenues, and other potential liabilities. We devote significant financial and personnel resources to implement and maintain security measures. While we have security measures in place that are designed to protect against these risks, preserve the integrity of customer and personal information, and prevent data loss, misappropriation, and other security breaches, our security measures may be compromised as a result of intentional misconduct, including by computer hackers, employees, contractors, or vendors, as well as software bugs, human error, technical malfunctions, or other malfeasance.

Cybersecurity threats and attacks are often targeted at companies such as ours and may take a variety of forms ranging from individual and groups of hackers to sophisticated organizations, including state-sponsored actors. Key cybersecurity risks range from viruses, worms, and other malicious software programs, including phishing attacks, to "mega breaches" targeted against cloud services and other hosted software, any of which can result in disclosure of confidential information and intellectual property, defective products, production downtimes, and compromised data. As the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these attacks or to implement adequate preventative measures. Although we have developed systems and processes that are designed to protect our data, our customer data, and other user data, to prevent data loss, and to prevent or detect security breaches, there can be no assurance that such measures will be effective against all cybersecurity threats.

Furthermore, we have acquired a number of companies, products, services, and technologies over the years. Although we devote significant resources to address any known security issues with respect to such acquisitions, we may still inherit additional risks when we integrate these companies within Workday. In addition, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may generally lose trust in the security of financial management, HCM, planning, procurement, or analytics applications, or in cloud applications for enterprises in general. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions, result in reputational damage, cause us to pay remediation costs and/or issue service credits or refunds to customers for prepaid and unused subscription services, require us to compensate our customers or other users for certain losses, or result in lawsuits, regulatory fines, or other action or liabilities, which could adversely affect our business and operating results.

If we fail to properly manage our technical operations infrastructure, experience service outages or delays in the deployment of our applications, or our applications fail to perform properly, we may be subject to liabilities and our reputation and operating results may be adversely affected.

We have experienced significant growth in the number of users, transactions, and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers and users, as well as our own needs, and to ensure that our services and solutions are accessible within an acceptable load time. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters, updates, the evolution of our applications, and to reduce infrastructure latency associated with dispersed geographic locations. However, the provision of new hosting infrastructure requires significant lead time. If we do not accurately predict our infrastructure requirements, we may experience service outages. Furthermore, if our operations infrastructure fails to scale, we may experience delays in providing service as we seek to obtain additional capacity, and no assurance can be made that we will be able to secure such additional capacity on the same or similar terms as we currently have, which could result in a significant increase in our operating costs. Furthermore, any failure to scale and secure additional capacity could result in delays in new feature rollouts, reduce the demand for our applications, result in customer and end user dissatisfaction, and adversely affect our business and operating results.

We have experienced, and may in the future experience, system disruptions, outages, and other performance problems, including the failure of our applications to perform properly. These problems may be caused by a variety of factors, including infrastructure changes, vendor issues, software defects, human error, viruses, worms, security attacks (internal and external), fraud, spikes in customer usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Because of the large amount of data that we collect and process in our systems, it is possible that these issues could result in data loss or corruption, or cause the data to be incomplete or contain inaccuracies that our customers and other users regard as significant. Furthermore, the availability or performance of our applications could also be adversely affected by our customers' and other users' inability to access the internet. For example, our customers and other users access our applications through their internet service providers. If a service provider fails to provide sufficient capacity to support our applications or otherwise experiences service outages, such failure could interrupt our customers' and other users' access to our applications, which could adversely affect their perception of our applications' reliability and our revenues.

Our customer agreements typically provide for monthly service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our applications as a result of the foregoing or otherwise, we may be contractually obligated to issue service credits or refunds to customers for prepaid and unused subscription services, our customers may make warranty or other claims against us, or we could face contract terminations, which would adversely affect our attrition rates. Any extended service outages could result in customer losses and adversely affect our reputation, business, and operating results.

Furthermore, our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

We depend on data centers and computing infrastructure operated by third parties, and any disruption in these operations could adversely affect our business and operating results.

We host our applications and serve our customers from data centers located in the United States, Europe, and Canada. While we control and have access to our servers and all of the components of our network that are located in these data centers, we do not control certain aspects of these facilities, including their operation and security. The owners of these data center facilities have limited or no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if any of these data center operators are acquired or cease to do business, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and experience possible service interruptions in connection with doing so.

In addition, we also rely upon third-party hosted infrastructure partners globally, including Amazon Web Services ("AWS") and Dimension Data, to serve customers and operate certain aspects of our services, such as environments for development testing, training, sales demonstrations, and production usage. Any disruption of or interference at our hosted infrastructure partners would impact our operations and our business could be adversely impacted.

Problems faced by these data center operators or hosted infrastructure partners, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers or other users. These data center operators or hosted infrastructure partners could decide to close their facilities or cease operations without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by these data center operators, our hosted infrastructure partners, or any of the other service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict.

Additionally, if these data center operators or hosted infrastructure partners are unable to keep up with our needs for capacity, this could have an adverse effect on our business. Any changes in third-party service levels at these data centers or at our hosted infrastructure partners or any errors, defects, disruptions, or other performance problems with our applications or the infrastructure on which they run could adversely affect our reputation and may damage our customers' or other users' stored files or result in lengthy interruptions in our services. Interruptions in our services might adversely affect our reputation and operating results, cause us to issue refunds or service credits to customers for prepaid and unused subscription services, subject us to potential liabilities, result in contract terminations, or adversely affect our renewal rates.

Furthermore, our financial management application is essential to Workday's and our customers' financial projections, reporting, and compliance programs, particularly customers who are public reporting companies. Any interruption in our service may affect the availability, accuracy or timeliness of such projections, reporting and compliance programs and as a result could damage our reputation, cause our customers to terminate their use of our applications, require us to issue refunds for prepaid and unused subscription services, require us to compensate our customers for certain losses, and prevent us from gaining additional business from current or future customers as well as impact our ability to accurately and timely meet our reporting and other compliance obligations.

Privacy concerns and domestic or foreign laws and regulations may reduce the effectiveness of our applications, result in significant costs and compliance challenges, and adversely affect our business and operating results.

Our customers can use our applications to collect, use, and store personal or identifying information regarding a variety of individuals in connection with their operations, including but not limited to their employees, contractors, students, job applicants, customers, and suppliers. Additionally, individuals using our WayTo™ by Workday application may store, manage, and share with certain organizations credentials such as employment history, education, skills, and compensation information. National, state and local governments and agencies in the countries in which our customers operate have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, storage, transfer, processing, protection, and disclosure of personal information obtained from consumers and individuals, which could impact our ability to offer our services in certain jurisdictions or our customers' ability to deploy our solutions globally. Privacy and data protection laws are particularly stringent, and the costs of compliance with and other burdens imposed by such laws, regulations, and standards may limit the use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties, or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business. Even the perception of privacy concerns, whether or not valid, may inhibit the adoption, effectiveness, or use of our applications. Moreover, if we or our subprocessors fail to adhere to adequate data protection practices around the usage of and access to our customers' and other users' personal data or fail to report a data breach or other loss of data within timeframes mandated by law or our customer contracts, we may be liable for certain losses, and it may damage our reputation and brand.

Additionally, we expect that existing laws, regulations, and standards may be interpreted in new and differing manners in the future and may be inconsistent among jurisdictions. Future laws, regulations, standards, and other obligations, and changes in the interpretation of existing laws, regulations, standards, and other obligations could result in increased regulation, increased costs of compliance and penalties for non-compliance, and limitations on data collection, use, disclosure, and transfer for Workday and our customers. In 2016, the European Union ("EU") adopted a new regulation governing data privacy called the General Data Protection Regulation ("GDPR"), which became effective in May 2018. The GDPR establishes new requirements applicable to the handling of personal data and imposes penalties for non-compliance of up to 4% of worldwide revenue. Customers, particularly in the EU, are seeking assurances from their suppliers, including us, that their processing of personal data of EU nationals is in accordance with the GDPR. If we are unable to provide adequate assurances to such customers, demand for our applications could be adversely affected. In addition, we must continue to seek assurances from our subprocessors that they are handling personal data in accordance with GDPR requirements in order to meet our own obligations under the GDPR. In addition, the California Consumer Privacy Act ("CCPA") took effect on January 1, 2020. The CCPA gives California consumers certain rights similar to those provided by the GDPR, and customers and other users may seek similar assurances from suppliers regarding compliance. Moreover, there are a number of other legislative proposals in the EU and the United States, at both the federal and state level, as well as other jurisdictions that could impose additional and potentially conflicting obligations in areas affecting our business.

In addition to government activity, privacy advocacy and other industry groups have established or may establish various new, additional, or different self-regulatory standards that may place additional burdens on us. Our customers may expect us to meet voluntary certifications or adhere to other standards established by third parties. If we are unable to maintain these certifications or meet these standards, it could reduce demand for our applications and adversely affect our business and operating results.

The costs of compliance with, and other burdens imposed by, privacy laws and regulations that are applicable to the businesses of our customers may adversely affect our customers' ability and willingness to process, handle, store, use, and transmit demographic and personal data, which in turn could limit the use, effectiveness, and adoption of our applications and reduce overall demand. In addition, the other bases on which we and our customers rely on for the transfer of data, such as model contracts, continue to be subjected to regulatory and judicial scrutiny. In 2016, the EU and United States agreed to the Privacy Shield framework for data transferred from the EU to the United States, but this new framework has been challenged by private parties and may face additional challenges by national regulators or additional private parties. In 2017, another legal challenge to the validity of the EU Standard Contractual Clauses (a data transfer mechanism) was referred to the Court of Justice of the EU for review. If we or our customers are unable to transfer data between and among countries and regions in which we operate, it could decrease demand for our applications, require us to restrict our business operations, and impair our ability to maintain and grow our customer base and increase our revenue.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The markets for financial management and HCM applications are highly competitive, with relatively low barriers to entry for some applications or services. Our primary competitors are Oracle and SAP, well-established providers of financial management and HCM applications, which have long-standing relationships with many customers. Some customers may be hesitant to switch vendors or to adopt cloud applications such as ours and may prefer to maintain their existing relationships with competitors. Oracle and SAP are larger and have greater name recognition, significantly longer operating histories, larger marketing budgets, and significantly greater resources than we do. These vendors, as well as other competitors, could offer financial management and HCM applications on a standalone basis at a low price or bundled as part of a larger sale. In order to take advantage of customer demand for cloud applications, legacy vendors are expanding their cloud applications through acquisitions, strategic alliances, and organic development. We also face competition from other enterprise software vendors, from regional competitors that only operate in certain geographic markets, and from vendors of specific applications that address only one or a portion of our applications, some of which offer cloud-based solutions. These vendors include, without limitation: The Ultimate Software Group, Inc., Automatic Data Processing, Inc., Infor, Inc., Ceridian HCM Holding Inc., Microsoft Corporation, Anaplan, Inc., and Coupa Software Inc. In addition, other cloud companies that provide services in different target markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. As the market matures and as existing and new market participants introduce new types of technologies and different approaches that enable organizations to address their human capital management and financial needs, we expect this competition to intensify in the future.

Many of our competitors are able to devote greater resources to the development, promotion, and sale of their products and services. This may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. Furthermore, our current or potential competitors may be acquired by, or merge with, third parties with greater available resources and the ability to initiate or withstand substantial price competition. For example, Kronos Incorporated and The Ultimate Software Group, Inc. have recently announced that they have entered into a definitive merger agreement. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and major distribution agreements with consultants, system integrators, and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their offerings or resources. If our competitors' products, services, or technologies become more accepted than our products, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business and operating results.

If we are not able to realize a return on our current development efforts or offer new features, enhancements, and modifications to our services, our business and operating results could be adversely affected.

Developing software applications and related enhancements, features, and modifications is expensive, and the investment in product development often involves a long return on investment cycle. Accelerated application introductions and short application life cycles require high levels of expenditures that could adversely affect our operating results if not offset by revenue increases, and we believe that we must continue to dedicate a significant amount of resources to our development efforts to maintain our competitive position. However, we may not receive significant revenues from these investments for several years, if at all. If we are unable to provide new features, enhancements, and modifications in a cost-effective manner that achieve market acceptance or that keep pace with rapid technological developments, our business and operating results could be adversely affected. For example, we are focused on enhancing the features and functionality of our applications to improve their utility to larger customers with complex, dynamic, and global operations. The success of enhancements, new features, and applications depends on several factors, including their timely completion, introduction, and market acceptance as well as access to the technologies required to build and improve our applications, such as the datasets required to train our machine learning models. As a result, we may not be successful in developing these new features, enhancements, modifications, and applications, and bring them to market timely, if at all. Failure in this regard may significantly impair our revenue growth by negatively impacting our customer renewal rates or our ability to attract new customers.

Our growth depends on the success of our strategic relationships with third parties as well as our ability to successfully integrate our applications with a variety of third-party technologies.

We depend on relationships with third parties such as deployment partners, technology and content providers, and other key suppliers, and are also dependent on third parties for the license of certain software and development tools that are incorporated into or used with our applications. In addition, we rely upon licensed third-party software to help improve our internal systems, processes, and controls. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. We may be at a disadvantage if our competitors are effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our services, or in negotiating better rates or terms with such third parties. In addition, acquisitions of our partners by our competitors could end our strategic relationship with the acquired partner and result in a decrease in the number of our current and potential customers, or the support services available for third-party technology may be negatively affected by mergers and consolidation in the software industry. If we are unsuccessful in establishing or maintaining our relationships with these third parties, or in monitoring the quality of their products or performance, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer.

To the extent that our applications depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our applications, delay new application introductions, result in a failure of our applications, and injure our reputation. Furthermore, software may not continue to be available to us on commercially reasonable terms. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. Integration of new software into our applications may require significant work and require substantial investment of our time and resources.

We also need to continuously modify and enhance our applications to keep pace with changes in third-party internet-related hardware, iOS, Android, other mobile-related technologies, and other third-party software, communication, browser, and database technologies. We must also appropriately balance the application capability demands of our current customers with the capabilities required to address the broader market. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our product development expenses. Any failure of our applications to operate effectively with future network platforms and other third-party technologies could reduce the demand for our applications, result in customer and end user dissatisfaction, and adversely affect our business and operating results. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software, which could materially impair our ability to provide solutions or professional services to our customers in a timely manner, cause us to lose customers, limit us to smaller deployments of our solutions, or increase our technical support costs.

Our historic revenue growth rates should not be viewed as indicative of our future performance.

Our revenue growth rates have declined and may decline again in the future as the size of our customer base and market penetration increases. In addition, our future rate of growth is subject to a number of uncertainties, including general economic and market conditions, as well as risks associated with growing companies in rapidly changing industries. Other factors may also contribute to declines in our growth rates, including slowing demand for our services, increasing competition, a decrease in the growth of our overall market, our failure to continue to capitalize on growth opportunities, the maturation of our business, and customer and user concerns regarding privacy and security with respect to placing sensitive information on a cloud-based platform, among others. As our growth rates decline, investors' perceptions of our business and the trading price of our securities could be adversely affected.

Additionally, our ability to accurately forecast our future rate of growth is limited. It is difficult to predict customer and other user adoption rates and demand for our applications, the future growth rate and size of the cloud computing market for financial management and HCM services, or the entry of competitive applications. We plan our expense levels and investments on estimates of future revenue and anticipated rates of growth. If our growth does not meet estimates, we may not be able to adjust our spending quickly enough to avoid an adverse impact on our financial results as a consequence of spending that is not aligned with our actual performance.

Moreover, we have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, including the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

We have experienced rapid growth, and if we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and operational controls, or adequately address competitive challenges.

We have experienced, and are continuing to experience, a period of rapid growth in our customers, headcount, and operations. We anticipate that we will continue to expand our customer base, headcount, and operations. This growth has placed, and future growth will place, a significant strain on our management, administrative, operational, and financial infrastructure. Our success will depend in part on our ability to manage this growth effectively and to scale our operations. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls as well as our reporting systems and procedures. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features, or other operational difficulties, and any of these difficulties could adversely impact our business performance and operating results.

We may lose key employees or be unable to attract, train, and retain highly skilled employees.

Our success and future growth depend largely upon the continued services of our executive officers, other members of senior management, and other key employees. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period, and they could terminate their employment with us at any time. From time to time, there may be changes in our executive management team and to other key employee roles resulting from organizational changes or the hiring or departure of executives or other employees, which could have a serious adverse effect on our business and operating results.

To execute our growth plan, we must attract, train, and retain highly qualified personnel. In the technology industry, and particularly in the San Francisco Bay Area, the competition is intense for highly skilled employees, especially for engineers with significant experience in designing and developing software and internet-related services, including in the areas of machine learning and artificial intelligence, for cybersecurity professionals, and for senior sales executives. In addition, the expansion of our sales infrastructure, both domestically and internationally, is necessary to grow our customer base and business. Identifying and recruiting qualified personnel and training them in our sales methodology, our sales systems, and the use of our software requires significant time, expense, and attention. Our business may be adversely affected if our efforts to attract and train new members of our direct sales force do not generate a corresponding increase in revenues. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and we may not be able to fill positions in desired geographic areas or at all.

Many of the companies with which we compete for experienced personnel have greater resources than we have and may offer more lucrative compensation packages than we offer. Job candidates and existing employees carefully consider the value of the equity awards they receive in connection with their employment. If the perceived or actual value of our equity awards declines, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain highly skilled employees. Our recruiting efforts may also be limited by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas. Additionally, job candidates may be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could have a chilling effect on hiring and result in a diversion of our time and resources. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and future growth prospects could be adversely affected.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork, and passion that we believe contribute to our success, and our business may be harmed.

We believe that a critical component of our success has been our corporate culture, as reflected in our core values: employees, customer service, innovation, integrity, fun, and profitability. We also believe that our commitment to our corporate culture, as well as our commitment to building products and services that help provide our customers with information regarding their own workforce and corporate culture, is part of the reason why our customers choose us. As we continue to grow, both organically and through acquisitions of employee teams, and develop the infrastructure associated with being a more mature public company, we will need to maintain our corporate culture among a larger number of employees who are dispersed throughout various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to achieve our corporate objectives, including our ability to quickly develop and deliver new and innovative products.

Because we encounter long sales cycles when selling to large customers and we recognize subscription services revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription services revenues over time as services are delivered to the customer, which typically occurs over a period of three years or longer. As a result, most of the subscription services revenues we report in each quarter are derived from the recognition of unearned revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscription contracts in any single quarter will likely have a minor impact on our revenue results for that quarter. However, such a decline will negatively affect our revenues in future quarters. Additionally, because much of our sales efforts are targeted at large enterprise customers, our sales cycles involve greater costs, longer sales cycles, the provision of greater levels of education regarding the use and benefits of our applications, less predictability in completing some of our sales, and varying deployment timeframes based on many factors including the number, type, and configuration of applications being deployed, the complexity, scale, and geographic dispersion of the customers' business and operations, the number of integrations with other systems, and other factors, many of which are beyond our control. Our typical sales cycles are six to twelve months but can extend for eighteen months or more, and we expect that this lengthy sales cycle may continue or expand as customers increasingly adopt our applications beyond HCM. Longer sales cycles could cause our operating and financial results to suffer in a given period. Accordingly, the effect of significant downturns in sales and market acceptance of our applications, and potential changes in our pricing policies or rate of renewals may not be fully reflected in our operating results until future periods. Additionally, we may be unable to adjust our cost structure to reflect any such changes in revenues. In addition, a majority of our costs are expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as subscription services revenues from new customers generally are recognized over the applicable subscription term.

Our business could be adversely affected if our users are not satisfied with the deployment, training, and support services provided by us and our partners.

Our business depends on our ability to satisfy our customers and end users, both with respect to our application offerings and the professional services that are performed to help them use features and functions that address their business needs. High customer satisfaction requires that our customers undergo a successful implementation and be properly trained on our applications to effectively implement and increase their level of adoption of such applications. Incorrect or improper implementation or use of our applications could result in customer and user dissatisfaction and harm our business and operating results.

Professional services may be performed by our own staff, by a third party, or by a combination of the two. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and third parties provide a majority of deployment services for our customers. If customers are not satisfied with the quality of work performed by us or a third party or with the type of professional services or applications delivered, then we could incur additional costs to address the situation, the revenue recognition of the contract could be impacted, and the dissatisfaction with our services could damage our ability to expand the applications subscribed to by our customers. We must also align our product development and professional services operations in order to ensure that customers' evolving needs are met. Negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

Additionally, in order to maximize the value of our applications, we must continue to educate and train our customers and end users to develop the skills necessary to harness the power of our applications. If we are not able to effectively educate and train our users, they may choose not to renew their subscriptions, market perceptions of our company and our applications may be impaired, and our reputation and brand may suffer. Customers and other users also depend on our support organization to provision the environments used by our customers and to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. Failure to maintain high-quality technical support and training, or a market perception that we do not maintain high-quality support or training, could adversely affect our reputation, our ability to offer and sell our applications, our renewal rates, and our business and operating results.

Our ability to predict the rate of customer subscription renewals or adoptions and the impact these renewals and adoptions will have on our revenues or operating results is limited.

As the markets for our applications mature, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. From time to time, we may also change our pricing structure, which could adversely impact demand for our products. Moreover, large customers, which are a primary focus of our sales efforts, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenues, profitability, financial position, and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our applications after the expiration of either the initial or renewed subscription period. Our customers may renew for fewer elements of our applications or on different pricing terms. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our pricing or our applications and their ability to continue their operations and spending levels. If our customers do not renew their subscriptions for our applications on similar pricing terms, our revenues may decline, and our business could suffer. In addition, over time the average term of our contracts could change based on renewal rates or for other reasons.

Our future success also depends, in part, on our ability to sell additional products to our current customers, and the success rate of such endeavors is difficult to predict, especially with regard to any new lines of business that we may introduce from time to time. This may require increasingly costly marketing and sales efforts that are targeted at senior management, and if these efforts are not successful, our business and operating results may suffer. Additionally, acquisitions of our customers could lead to cancellation of our contracts with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread positive awareness of our brand is critical to achieving widespread acceptance of our applications, retaining and attracting customers, and hiring and retaining employees. However, brand promotion activities may not generate the customer awareness or increased revenues we anticipate, and even if they do, any increase in revenues may not offset the significant expenses we incur in building our brand. In addition, positions we take on social and ethical issues from time to time may impact our ability to attract or retain customers, and any perceived changes to our public commitments to sustainability, equality and ethical use could adversely impact our brand, reputation, and relationships with our customers and other users.

If we fail to successfully promote and maintain our brand, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our applications. Additionally, the loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could significantly impair our ability to market our applications which, in turn, could have a negative impact on our revenues, reputation, and our ability to obtain new customers. In addition, if our brand is negatively impacted, it may be more difficult to hire and retain employees.

We have acquired, and may in the future acquire, other companies, employee teams, or technologies, which could divert our management's attention, result in additional dilution to our stockholders, and otherwise disrupt our operations and adversely affect our operating results.

We have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our applications, enhance our technical capabilities, obtain personnel, or otherwise offer growth opportunities. For example, during the third quarter of fiscal 2019, we acquired Adaptive Insights, and during the fourth quarter of fiscal 2020, we acquired Scout. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

We may not be able to integrate acquired personnel, operations, and technologies successfully, or effectively manage the combined operations following any acquisition. We also may not achieve the anticipated benefits from an acquisition due to a number of factors, including:

- inability to integrate or benefit from an acquisition in a profitable manner;
- acquisition-related costs, liabilities, or tax impacts, some of which may be unanticipated;
- difficulty in integrating the intellectual property, technology infrastructure, and operations of the acquired business, including difficulty in addressing security issues of the acquired business;
- difficulty in integrating and retaining the personnel of the acquired business, including integration of the culture of the acquired company and Workday;
- difficulty in leveraging the data of the acquired business if it includes personal data;
- ineffective or inadequate controls, procedures, or policies at the acquired company;
- multiple product lines or service offerings, as a result of our acquisitions, that are offered, priced, and supported differently;
- difficulties and additional expenses associated with synchronizing product offerings, customer relationships, and contract portfolio terms and conditions between Workday and the acquired business;
- potential unknown liabilities or risks associated with the acquired businesses, including those arising from existing contractual obligations or litigation matters;
- adverse effects on our existing business relationships with business partners and customers as a result of the acquisition;
- potential write-offs of acquired assets and potential financial and credit risks associated with acquired customers;
- inability to maintain relationships with key customers, suppliers, and partners of the acquired business;
- difficulty in predicting and controlling the effect of integrating multiple acquisitions concurrently;
- lack of experience in new markets, products, or technologies;
- difficulty in integrating operations and assets of an acquired foreign entity with differences in language, culture, or country-specific regulatory risks;
- diversion of management's attention from other business concerns;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our operating results.

Acquisitions could also result in dilutive issuances of equity securities or the issuance of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our business, operating results, and financial position may suffer.

Sales to customers outside the United States or with international operations expose us to risks inherent in global operations.

A key element of our growth strategy is to develop a worldwide customer base. Operating globally requires significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from those in the United States. Our international expansion efforts may not be successful in creating demand for our applications outside of the United States or in effectively selling subscriptions to our applications in all of the markets we enter. In addition, we will face risks in doing business on a global scale that could adversely affect our business, including:

- the need to localize and adapt our applications for specific countries, including translation into foreign languages, localization of contracts for different legal jurisdictions, and associated expenses;
- the need for a go-to-market strategy that aligns application management efforts and the development of supporting infrastructure;

- stricter data privacy laws including requirements that customer data be stored and processed in a designated territory and obligations on us as a data processor;
- difficulties in appropriately staffing and managing foreign operations and providing appropriate compensation for local markets;
- difficulties in leveraging executive presence and company culture globally;
- different pricing environments, longer sales cycles, and longer trade receivables payment cycles, and collections issues;
- new and different sources of competition;
- potentially weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights;
- laws, customs, and business practices favoring local competitors;
- restrictive governmental actions focused on cross-border trade, such as import and export restrictions, duties, quotas, tariffs, trade disputes, and barriers or sanctions that may prevent us from offering certain portions of our products or services to a particular market, may increase our operating costs or may subject us to monetary fines or penalties in case of unintentional noncompliance due to factors beyond our control;
- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including employment, tax, privacy, intellectual property, and data protection laws and regulations;
- increased compliance costs related to government regulatory reviews or audits, including those related to international cybersecurity requirements;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- ensuring compliance with anti-corruption laws, including the Foreign Corrupt Practices Act and UK Bribery Act;
- the effects of currency fluctuations on our revenues and expenses and customer demand for our services;
- the cost and potential outcomes of any international claims or litigation;
- adverse tax consequences and tax rulings; and
- unstable economic and political conditions.

Any of the above factors may negatively impact our ability to sell our applications and offer services globally, reduce our competitive position in foreign markets, increase our costs of global operations, and reduce demand for our applications and services from global customers. Additionally, the majority of our international costs are denominated in local currencies and we anticipate that over time an increasing portion of our sales contracts outside the U.S. may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. Such fluctuations may also impact our ability to predict our future results accurately. Although we have a hedging program to help mitigate some of this volatility and related risks, there can be no assurance that the hedging program will be effective in offsetting the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates.

If we are not able to realize a return on the investments we have made toward entering new markets and new lines of business, our business and operating results could be adversely affected.

We continue to seek opportunities to enter into new markets and/or new lines of business, some of which we may have very limited or no experience in. As an entrant to new markets and new lines of business, we may not be effective in convincing prospective customers that our solutions will address their needs, and we may not accurately estimate our infrastructure needs, human resource requirements, or operating expenses with regard to these new markets and new lines of business. We may also fail to accurately anticipate adoption rates of these new lines of business or their underlying technology. For example, machine learning, artificial intelligence, and blockchain are propelling advancements in technology, but if they are not widely adopted and accepted or fail to operate as expected, our business and reputation may be harmed. Also, we may not be able to properly price our solutions in these new markets, which could negatively affect our ability to sell to customers. Furthermore, customers in these new markets or of the new lines of business may demand more features and professional services, which may require us to devote even greater research and development, sales, support, and professional services resources to such customers. If we fail to generate adequate revenue from these new markets and lines of business, or if we fail to do so within the envisioned timeframe, it could have an adverse effect on our business or financial condition.

Unfavorable laws, regulations, interpretive positions or standards governing new and evolving technologies that we incorporate into our products and services could result in significant cost and compliance challenges and adversely affect our business and operating results.

Some of our products and services currently utilize or will utilize new and evolving technologies such as machine learning, artificial intelligence, and blockchain. While existing laws and regulations may apply to these types of technologies, the overall regulatory environment governing these types of technologies is still currently undeveloped and likely to evolve as government interest in these technologies increases. Regulation of these technologies also varies greatly among international, federal, state, and local jurisdictions and is subject to significant uncertainty. Governments and agencies may in the future change or amend existing laws, or adopt new laws, regulations, or guidance, or take other actions which may severely impact the permitted uses of these technologies. Any failure by us to comply with applicable laws, regulations, guidance, or other rules could result in costly litigation, penalties, or fines. In addition, these regulations could establish and further expand our obligations to customers, individuals, and other third parties with respect to these types of products and services, limit the countries in which such products and services may be used, restrict the way we structure and operate our business, and reduce the types of customers and individuals who can use our products and services. Increased regulation and oversight of products or services which utilize or rely on these new technologies may result in costly compliance burdens or otherwise increase our operating costs, detrimentally affecting our business. These new technologies could subject us to additional litigation brought by private parties, which could be costly, time-consuming, and distracting to management and could result in substantial expenses and losses.

In addition, as with many innovations, machine learning and artificial intelligence present additional risks and challenges that could affect their adoption and therefore our business. For example, the development of machine learning and artificial intelligence present emerging ethical issues, and if we enable or offer solutions on this front that are controversial, due to their impact, or perceived impact, on human rights, privacy, employment, or in other social contexts, we may experience brand or reputational harm, competitive harm, or legal liability. Also, our positions on social and ethical issues may impact our ability to attract or retain customers and other users. In particular, our brand and reputation are associated with our public commitments to sustainability, equality, and ethical use, and any perceived changes in our dedication to these commitments could impact our relationships with potential and current customers and other users.

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for enterprise software and on the economic health of our current and prospective customers. Any significant weakening of the economy in the United States or Europe and of the global economy, limited availability of credit, a reduction in business confidence and activity, decreased government spending, economic uncertainty and other difficulties, such as rising interest rates and increased inflation, may affect one or more of the sectors or countries in which we sell our applications. Alternatively, a strong dollar could reduce demand for our applications and services in countries with relatively weaker currencies.

Also, the withdrawal of the UK from the EU (“Brexit”) has created economic and political uncertainty, including volatility in the value of foreign currencies. The impact of Brexit depends on the terms of the UK’s withdrawal from the EU and such impact may not be fully realized for several years or more. This uncertainty may cause some of our customers or potential customers to curtail spending and may ultimately result in new regulatory, operational, and cost challenges to our UK and global operations. In addition, the recent coronavirus outbreak has caused additional uncertainty in the global economy. These adverse conditions could result in reductions in sales of our applications, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies, and increased price competition. Any of these events would likely have an adverse effect on our business, operating results, and financial position.

We have a history of cumulative losses, and we do not expect to be profitable on a GAAP basis for the foreseeable future.

We have incurred significant losses in each period since our inception in 2005. These losses and our accumulated deficit reflect the substantial investments we make to acquire new customers and develop our applications. We expect our operating expenses to increase in the future due to anticipated increases in sales and marketing expenses, product development expenses, operations costs, and general and administrative costs, and therefore we expect our losses on a GAAP basis to continue for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses in the acquisition period because costs associated with acquiring customers are generally incurred up front, while subscription services revenues are generally recognized ratably over the terms of the agreements, which are typically three years or longer. You should not consider our recent growth in revenues as indicative of our future performance. We cannot ensure that we will achieve GAAP profitability in the future or that, if we do become profitable, we will sustain profitability.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly operating results, including the levels of our revenues, operating margin, profitability, cash flow, unearned revenue, and remaining subscription services revenue performance obligations, which we also refer to as backlog, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the value of our securities. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed below:

- our ability to attract new customers;
- the timing and rate at which we sign agreements with customers;
- the financial condition and creditworthiness of our customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- customer renewal rates;
- the timing of operating expenses and recognition of revenues;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure;
- network outages or security breaches;
- general economic and market conditions;
- increases or decreases in the number of elements of our services or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- the mix of applications sold during a period;
- seasonal variations in sales of our applications, which have historically been highest in our fiscal fourth quarter;
- the timing and success of new application and service introductions by us or our competitors;
- changes in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- changes in laws and regulations that impact our business or reported financial results, including changes in accounting principles generally accepted in the United States; and
- the timing of expenses related to acquisitions and potential future charges for impairment of goodwill.

We are subject to risks associated with our equity investments including partial or complete loss of invested capital, and significant changes in the fair value of this portfolio could adversely impact our financial results.

We invest in early to late stage companies for strategic reasons and to support key business initiatives, and we may not realize a return on our equity investments. Many such companies generate net losses and the market for their products, services, or technologies may be slow to develop or never materialize. These companies are often dependent on the availability of later rounds of financing from banks or investors on favorable terms to continue their operations. The financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition, or other favorable market event reflecting appreciation to the cost of our initial investment. The capital markets for public offerings and acquisitions are dynamic and the likelihood of liquidity events for the companies we have invested in could deteriorate, which could result in a loss of all or a substantial part of our investment in these companies.

Further, valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data. In addition, we may experience additional volatility to our statements of operations due to changes in market prices of our marketable equity investments and the valuation and timing of observable price changes or impairments of our non-marketable equity investments. This volatility could be material to our results in any given quarter and may cause our stock price to decline.

Any failure to protect our intellectual property rights domestically and internationally could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We rely on patent, copyright, trade secret and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, suppliers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. While we have patent applications pending in the United States, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties, including those affiliated with state-sponsored actors, to copy or reverse engineer our applications, including with the assistance of insiders, and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our technology may be unenforceable under the laws of jurisdictions outside the United States. In addition, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our applications and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our applications.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could have a serious adverse effect on our brand and business.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, they may claim that our applications and underlying technology infringe or violate their intellectual property rights, even if we are unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, require us to change our products, technology, or business practices, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims.

Some of our applications utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Some of our applications include software covered by open source licenses, which may include, by way of example, GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our applications. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be impacted by an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in Pleasanton, California, and we have data centers located in the United States, Canada, and Europe. The west coast of the United States contains active earthquake zones and the southeast is subject to seasonal hurricanes. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, hosted services, and sales activities. We also rely on AWS's and Dimension Data's distributed computing infrastructure platforms that are located in a wide variety of regions. In the event of a major earthquake, hurricane, or other natural disaster or a catastrophic event such as fire, power loss, telecommunications failure, vandalism, civil unrest, cyber-attack, geopolitical instability, war, terrorist attack, pandemics or other public health emergencies (such as the recent coronavirus outbreak), or the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise), we may be unable to continue our operations and may endure system interruptions, delays in our product development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could cause reputational harm or otherwise have an adverse effect on our business and operating results.

We may discover weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.

As a public company, we are required to design and maintain proper and effective internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is challenging and costly. In the future, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. If we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the Financial Industry Regulatory Authority, the SEC, or other regulatory authorities, which could require additional financial and management resources. In addition, because we use Workday's financial management application, any problems that we experience with financial reporting and compliance could be negatively perceived by prospective or current customers, and negatively impact demand for our applications.

We may not be able to utilize a portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

As of January 31, 2020, we had federal and state net operating loss carryforwards due to prior period losses. If not utilized, the pre-fiscal 2018 federal and the state net operating loss carryforwards expire in varying amounts between fiscal 2021, and 2040. The federal net operating losses generated in and after fiscal 2018 do not expire and may be carried forward indefinitely. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in fiscal 2021. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to reduce future income tax liabilities, which could adversely affect our profitability. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our services and adversely impact our business.

We operate and are subject to taxes in the United States and numerous other jurisdictions throughout the world. Changes to federal, state, local, or international tax laws on income, sales, use, indirect, or other tax laws, statutes, rules, regulations, or ordinances on multinational corporations are currently being considered by the United States and other countries where we do business. These contemplated legislative initiatives include, but are not limited to, changes to transfer pricing policies and definitional changes to permanent establishment that could be applied solely or disproportionately to services provided over the internet. These contemplated tax initiatives, if finalized and adopted by countries, may ultimately impact our effective tax rate and could adversely affect our sales activity resulting in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us to pay additional tax amounts, fines or penalties, and interest for past amounts. Existing tax laws, statutes, rules, regulations, or ordinances could also be interpreted, changed, modified, or applied adversely to our customers (possibly with retroactive effect), which could require our customers to pay additional tax amounts with respect to services we have provided, fines or penalties, and interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows. If our customers must pay additional fines or penalties, it could adversely affect demand for our services.

The 2017 Tax Cuts and Jobs Act (the “Tax Act”) was enacted on December 22, 2017, and significantly affected U.S. tax law by changing how the U.S. imposes income tax on multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our operating results in the period issued. The Tax Act requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the Tax Act and the accounting for such provisions require accumulation of information not previously required or regularly produced. As additional regulatory guidance is issued by the applicable taxing authorities and as accounting treatment is clarified, we will perform additional analysis on the application of the law and refine estimates in calculating the effect, which may produce different results and will be reflected in the period the analysis is completed.

Risks Related to Our Class A Common Stock

Our Chairman and CEO have control over key decision making as a result of their control of a majority of our voting stock.

As of January 31, 2020, our co-founder and Chairman David Duffield, together with his affiliates, held voting rights with respect to approximately 52 million shares of Class B common stock and 0.4 million shares of Class A common stock. As of January 31, 2020, our co-founder and CEO Aneel Bhusri, together with his affiliates, held voting rights with respect to approximately 8 million shares of Class B common stock and 0.2 million shares of Class A common stock. In addition, Mr. Bhusri holds exercisable stock options to acquire approximately 1 million shares of Class B common stock and 0.1 million RSUs, which will be settled in an equivalent number of shares of Class A common stock. Further, Messrs. Duffield and Bhusri have entered into a voting agreement under which each has granted a voting proxy with respect to certain Class B common stock beneficially owned by him effective upon his death or incapacity as described in our registration statement on Form S-1 filed in connection with our initial public offering. Messrs. Duffield and Bhusri have each initially designated the other as their respective proxies. Accordingly, upon the death or incapacity of either Mr. Duffield or Mr. Bhusri, the other would individually continue to control the voting of shares subject to the voting proxy. Collectively, the shares described above represent a substantial majority of the voting power of our outstanding capital stock. As a result, Messrs. Duffield and Bhusri have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, they have the ability to control the management and affairs of our company as a result of their positions as our Chairman and CEO, respectively, and their ability to control the election of our directors. Mr. Duffield, in his capacity as a board member, and Mr. Bhusri, in his capacity as a board member and officer, each owe a fiduciary duty to our stockholders and must act in good faith in a manner they reasonably believe to be in the best interests of our stockholders. As stockholders, even as controlling stockholders, they are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

The dual class structure of our common stock has the effect of concentrating voting control with our Chairman and CEO, and also with other executive officers, directors, and affiliates; this will limit or preclude the ability of non-affiliates to influence corporate matters.

Our Class B common stock has 10 votes per share and our Class A common stock, which is the stock that is publicly traded, has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers, directors, and other affiliates, together hold a substantial majority of the voting power of our outstanding capital stock as of January 31, 2020. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the conversion of all shares of all Class A and Class B shares to a single class of common stock on the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock. This concentrated control will limit or preclude the ability of non-affiliates to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our Chairman and CEO retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

Our stock price has been volatile in the past and may be subject to volatility in the future.

The trading price of our Class A common stock has been volatile historically and could be subject to wide fluctuations in response to various factors described below. These factors, as well as the volatility of our Class A common stock, could also impact the price of our convertible senior notes. The factors that may affect the trading price of our securities, some of which are beyond our control, include:

- overall performance of the equity markets;
- fluctuations in the valuation of companies perceived by investors to be comparable to us, such as high-growth or cloud companies, or in valuation metrics, such as our price to revenues ratio;
- guidance as to our operating results that we provide to the public, differences between our guidance and market expectations, our failure to meet our guidance, or changes in recommendations by securities analysts that follow our securities;
- announcements of technological innovations, new applications or enhancements to services, acquisitions, strategic alliances, or significant agreements by us or by our competitors;
- announcements of negative corporate developments by our competitors and other high-growth or cloud companies including, among other things, any announcements related to security incidents;
- disruptions in our services due to computer hardware, software, or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry, and the industries of our customers;
- trading activity by directors, executive officers and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- the exercise of rights held by certain of our stockholders, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders;
- the size of our market float and significant stock option exercises;
- any future issuances of securities;
- sales and purchases of any Class A common stock issued upon conversion of our convertible senior notes or in connection with the convertible note hedge and warrant transactions related to such convertible senior notes;
- our operating performance and the performance of other similar companies; and
- the sale or availability for sale of a large number of shares of our Class A common stock in the public market.

Additionally, the stock markets have at times experienced extreme price and volume fluctuations that have affected and may in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of publicly traded shares of companies in our industry have been particularly volatile and may be very volatile in the future.

In the past, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

We have substantial indebtedness in the form of convertible senior notes, which may adversely affect our financial condition and operating results.

In June 2013, we completed an offering of \$250 million of 1.50% convertible senior notes due July 15, 2020 (“2020 Notes”). In September 2017, we completed an offering of \$1.15 billion of 0.25% convertible senior notes due October 1, 2022 (“2022 Notes”). As a result of these convertible notes offerings, we incurred \$250 million principal amount of indebtedness, which we may be required to pay at maturity in 2020, and \$1.15 billion principal amount of indebtedness, which we may be required to pay at maturity in 2022, or upon the occurrence of a fundamental change (as defined in the applicable indenture). We may incur substantial additional debt in the future, some of which may be secured debt. There can be no assurance that we will be able to repay this indebtedness when due, or that we will be able to refinance this indebtedness on acceptable terms or at all. Our ability to pay cash upon conversion or repurchase of the 2020 Notes or the 2022 Notes may be limited by law, regulatory authority, or agreements governing our future indebtedness and is dependent on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Any future debt may also contain limitations on our ability to pay cash upon a conversion request or repurchase upon a fundamental change.

In addition, this indebtedness could, among other things:

- make it difficult for us to pay other obligations;
- make it difficult to obtain favorable terms for any necessary future financing for working capital, capital expenditures, debt service requirements, or other purposes;
- adversely affect our liquidity and result in a material adverse effect on our financial position upon repayment of the indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to service and repay the indebtedness, reducing the amount of cash flow available for other purposes;
- limit our flexibility in planning for and reacting to changes in our business; and
- negatively impact our credit rating, which could affect our business.

The convertible note hedge and warrant transactions may affect the value of our Class A common stock.

In connection with the sale of our convertible notes, we entered into convertible note hedge transactions with institutions that we refer to as the option counterparties. We also entered into warrant transactions with the option counterparties pursuant to which we sold warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected to offset the potential dilution to our Class A common stock upon any conversion of the convertible notes. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the exercise price of the relevant warrants.

The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the convertible notes. This activity could suppress or inflate the market price of our Class A common stock.

We will also be subject to the risk that these option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If one or more of the option counterparties to one or more of our convertible note hedge transactions becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price of our Class A common stock during the related settlement period. In addition, upon a default by one of the option counterparties, we may suffer dilution with respect to our Class A common stock as well as adverse financial consequences.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our dual class common stock structure, which provides our chairman and CEO with the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock;

- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock:
 - certain amendments to our restated certificate of incorporation or restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
 - our stockholders will only be able to take action at a meeting of stockholders and not by written consent; and
 - vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- only our chairman of the board, chief executive officer, either co-president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- we will have two classes of common stock until the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could depress the market price of our securities.

If securities or industry analysts publish inaccurate or unfavorable research about our business, or discontinue publishing research about our business, the price and trading volume of our securities could decline.

The trading market for our securities will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our securities to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters, which includes operations and product development facilities, is located in Pleasanton, California. It consists of approximately 493,000 square feet of leased facilities, 677,000 square feet of owned facilities, and a 6.9 acre parcel of leased land. The land lease will expire in 2108. In addition, we lease office space in various locations, including North America, Europe, and Asia Pacific, and data center capacity throughout North America and Europe. We expect to expand our facilities capacity at our corporate headquarters and in certain field locations during fiscal 2021, to support our continued growth. We believe that we will be able to obtain additional space on commercially reasonable terms.

We lease certain office space from an affiliate of our Chairman, Mr. Duffield, adjacent to our corporate headquarters. We have and will continue to seek independent evaluations of current market rates at the time of lease negotiations with the goal of leasing at a rate comparable to the current market price. We are currently considering purchasing these buildings.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are or may be involved in various legal proceedings arising from the normal course of business including matters related to alleged infringement of third-party patents and other intellectual property rights, commercial, employment, and other claims. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows, or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees, we may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. The resolution of legal matters could prevent us from offering one or more of our applications, services, or features to others, could require us to change our technology or business practices, pay monetary damages, or enter into short- or long-term royalty or licensing agreements, or could otherwise be material to our financial condition or cash flows, or both, or adversely affect our operating results.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Common Stock

Our Class A common stock has traded on the Nasdaq Global Select Market under the symbol “WDAY” since September 20, 2017. Prior to that time, it traded on the New York Stock Exchange.

Our Class B common stock is not listed or traded on any stock exchange.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business and do not expect to declare or pay any dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

Stockholders

As of February 28, 2020, there were 17 stockholders of record of our Class A common stock, including The Depository Trust Company, which holds shares of our common stock on behalf of an indeterminate number of beneficial owners, as well as 87 stockholders of record of our Class B common stock.

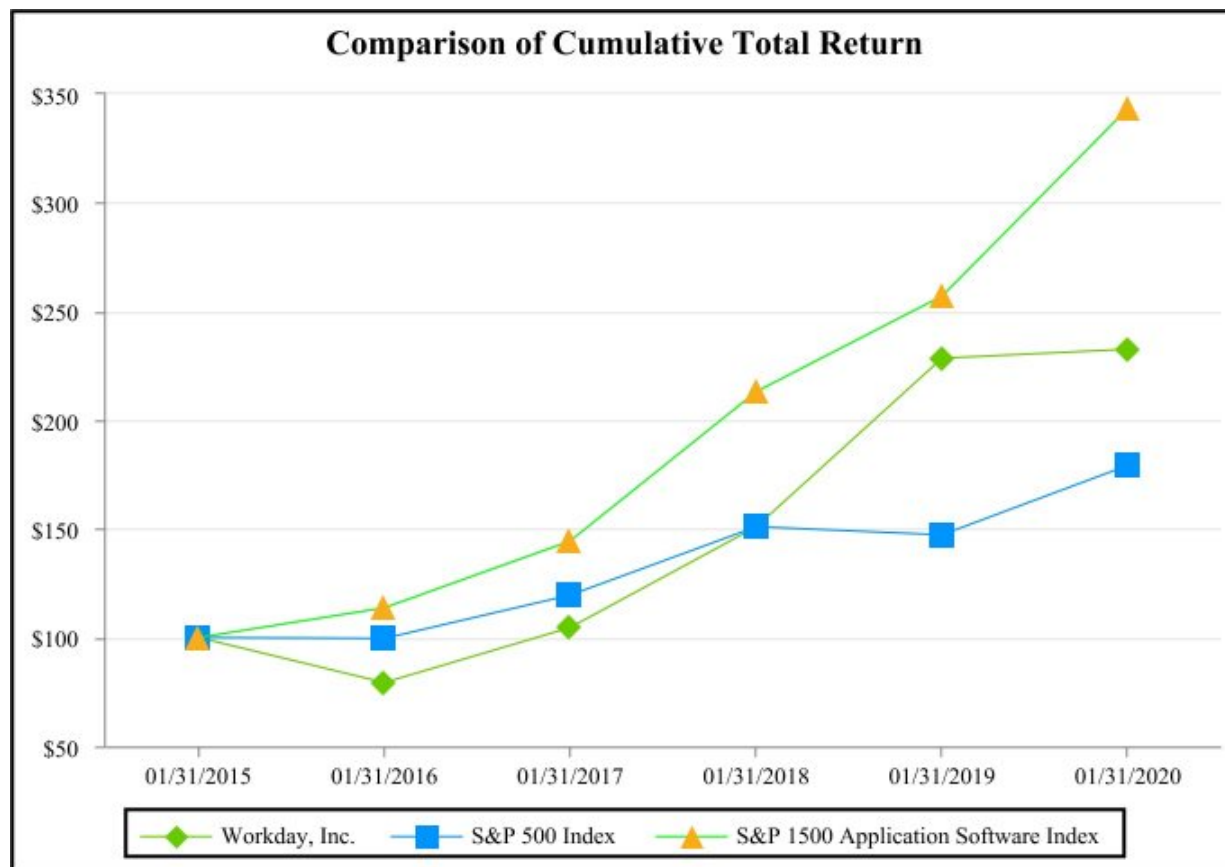
Securities Authorized for Issuance under Equity Compensation Plans

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2020 Annual Meeting of Stockholders.

Stock Performance Graph

The following shall not be deemed “soliciting material” or deemed “filed” for purposes of Section 18 of the Exchange Act or subject to Regulation 14A or 14C, other than as provided by this Item 5, or to the liabilities of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P 500 Index and the S&P 1500 Application Software Index. The chart assumes \$100 was invested at the close of market on January 31, 2015, in the Class A common stock of Workday, Inc., the S&P 500 Index, and the S&P 1500 Application Software Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Company/Index	1/31/2015	1/31/2016	1/31/2017	1/31/2018	1/31/2019	1/31/2020
Workday, Inc.	\$ 100.00	\$ 79.30	\$ 104.57	\$ 150.88	\$ 228.45	\$ 232.36
S&P 500 Index	100.00	99.33	119.22	150.70	147.20	179.10
S&P 1500 Application Software Index	100.00	113.48	144.13	212.86	256.87	343.17

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

During the three months ended January 31, 2020, we did not repurchase any of our securities.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data and the consolidated balance sheets data are derived from our audited consolidated financial statements and should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements, and the related notes included elsewhere in this filing. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended January 31,				
	2020	2019	2018	2017 *As Adjusted	2016 *As Adjusted
(in thousands, except per share data)					
Consolidated Statements of Operations Data:					
Revenues:					
Subscription services	\$ 3,096,389	\$ 2,385,769	\$ 1,787,833	\$ 1,290,733	\$ 920,196
Professional services	530,817	436,411	355,217	283,707	236,494
Total revenues	3,627,206	2,822,180	2,143,050	1,574,440	1,156,690
Costs and expenses ⁽¹⁾ :					
Costs of subscription services	488,513	379,877	273,461	213,389	149,869
Costs of professional services	576,745	455,073	355,952	270,156	224,558
Product development	1,549,906	1,211,832	910,584	680,531	469,944
Sales and marketing	1,146,548	891,345	683,367	565,328	413,530
General and administrative	367,724	347,337	222,909	198,122	148,578
Total costs and expenses	4,129,436	3,285,464	2,446,273	1,927,526	1,406,479
Operating loss	(502,230)	(463,284)	(303,223)	(353,086)	(249,789)
Other income (expense), net	19,783	39,532	(11,563)	(32,427)	(24,242)
Loss before provision for (benefit from) income taxes	(482,447)	(423,752)	(314,786)	(385,513)	(274,031)
Provision for (benefit from) income taxes	(1,773)	(5,494)	6,436	(814)	1,017
Net loss	\$ (480,674)	\$ (418,258)	\$ (321,222)	\$ (384,699)	\$ (275,048)
Net loss attributable to Class A and Class B common stockholders	\$ (480,674)	\$ (418,258)	\$ (321,222)	\$ (384,699)	\$ (275,048)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (2.12)	\$ (1.93)	\$ (1.55)	\$ (1.94)	\$ (1.45)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	227,185	216,789	207,774	198,214	190,016

(1) Costs and expenses include share-based compensation expenses as follows (in thousands):

	Year Ended January 31,				
	2020	2019	2018	2017	2016
Costs of subscription services	\$ 49,919	\$ 36,754	\$ 26,280	\$ 20,773	\$ 12,060
Costs of professional services	80,401	55,535	37,592	26,833	19,526
Product development	434,188	320,876	229,819	166,529	109,362
Sales and marketing	176,758	132,810	100,762	86,229	51,617
General and administrative	118,614	127,443	83,972	78,265	57,405

	As of January 31,				
	2020	2019	2018	2017 *As Adjusted	2016 *As Adjusted
(in thousands)					
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 731,141	\$ 638,554	\$ 1,134,355	\$ 539,923	\$ 300,087
Marketable securities	1,213,432	1,139,864	2,133,495	1,456,822	1,669,372
Working capital	125,218	269,905	1,898,104	1,239,202	1,468,067
Property and equipment, net	936,179	796,907	546,609	365,877	214,158
Operating lease right-of-use assets	290,902	—	—	—	—
Total assets	6,816,365	5,520,746	4,947,424	3,268,282	2,812,370
Total unearned revenue	2,309,203	1,949,270	1,537,147	1,221,543	891,882
Convertible senior notes, net	1,262,286	1,204,778	1,491,354	534,423	507,476
Total operating lease liabilities	307,572	—	—	—	—
Total liabilities	4,329,814	3,562,304	3,367,059	1,991,674	1,586,090
Total stockholders' equity	2,486,551	1,958,442	1,580,365	1,276,608	1,226,280

	Year Ended January 31,				
	2020	2019	2018	2017 *As Adjusted	2016 *As Adjusted
(in thousands)					
Cash Flow Data:					
Net cash provided by (used in) operating activities	\$ 864,598	\$ 606,658	\$ 465,727	\$ 350,626	\$ 258,637

* The summary consolidated financial data for the years ended January 31, 2017, and 2016, and as of January 31, 2017, and 2016 reflects the adoption of Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”), and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors."

The following discussion of our financial condition and results of operations covers fiscal 2020 and 2019 items and year-over-year comparisons between fiscal 2020 and 2019. Discussions of fiscal 2018 items and year-over-year comparisons between fiscal 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2019, that was filed with the SEC on March 18, 2019.

Overview

Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. We help organizations better manage their financial and human capital resources with one system that helps enable them to plan, execute, analyze, and extend — all powered by machine learning.

Our diverse customer base includes medium and large, global companies, as well as smaller organizations that primarily use our planning product. Our cycle of frequent updates has facilitated rapid innovation and the introduction of new applications throughout our history. We began offering our HCM application in 2006 and our Financial Management application in 2007. Since then we have continued to invest in innovation and have consistently introduced new services to our customers, including through the acquisition of Adaptive Insights in fiscal 2019, and Scout RFP in fiscal 2020.

We have achieved significant growth in a relatively short period of time with a substantial amount of our growth coming from new customers. Our current financial focus is on growing our revenues and expanding our customer base. While we are incurring losses today, we strive to invest in a disciplined manner across all of our functional areas to sustain continued near-term revenue growth and support our long-term initiatives.

We offer Workday applications to our customers on an enterprise-wide subscription basis, typically with contract terms of three years or longer and with subscription fees largely based on the size of the customer's workforce. We generally recognize revenues from subscription fees ratably over the term of the contract. We currently derive a substantial majority of our subscription services revenues from subscriptions to our HCM application. We market our applications primarily through our direct sales force.

Our operating expenses have increased significantly in absolute dollars in recent periods, primarily due to the significant growth of our employee population. We had approximately 12,200 and approximately 10,500 employees as of January 31, 2020, and 2019, respectively. We expect our product development, sales and marketing, and general and administrative expenses as a percentage of total revenues to decrease over time as we grow our revenues, and we anticipate that we will gain economies of scale by increasing our customer base without direct incremental development costs.

We intend to continue investing for long-term growth. We have invested, and expect to continue to invest, heavily in our product development efforts to deliver additional compelling applications and to address customers' evolving needs. In addition, we plan to continue to expand our ability to sell our applications globally, particularly in Europe and Asia, by investing in product development and customer support to address the business needs of local markets, increasing our sales and marketing organizations, acquiring, building and/or leasing additional office space, and expanding our ecosystem of service partners to support local deployments. We expect to make further significant investments in our data center capacity as we plan for future growth. We are also investing in personnel to service our growing customer base.

We also regularly evaluate acquisitions and investment opportunities in complementary businesses, employee teams, services, technologies, and intellectual property rights in an effort to expand our product and service offerings. We expect to continue making such acquisitions and investments in the future, and we plan to reinvest a significant portion of our incremental revenue in future periods to grow our business and continue our leadership role in the industry. While we remain focused on improving operating margins, these acquisitions and investments will increase our costs on an absolute basis in the near-term. Many of these investments will occur in advance of experiencing any direct benefit from them and could make it difficult to determine if we are allocating our resources efficiently.

Since inception, we have also invested heavily in our professional services organization to help ensure that customers successfully deploy and adopt our applications. Additionally, we continue to expand our professional service partner ecosystem to further support our customers. We believe our investment in professional services, as well as partners building consulting practices around Workday, will drive additional customer subscriptions and continued growth in revenues. Due to our ability to leverage the expanding partner ecosystem, we expect that the rate of professional services revenue growth will decline over time and continue to be lower than subscription revenue growth.

Components of Results of Operations

Revenues

We primarily derive our revenues from subscription services and professional services. Subscription services revenues primarily consist of fees that give our customers access to our cloud applications, which include related customer support. Professional services fees include deployment services, optimization services, and training.

Subscription services revenues accounted for 85% of our total revenues during fiscal 2020, and represented 96% of our total unearned revenue as of January 31, 2020. Subscription services revenues are driven primarily by the number of customers, the number of workers at each customer, the specific applications subscribed to by each customer, and the price of our applications.

The mix of the applications to which a customer subscribes can affect our financial performance due to price differentials in our applications. Pricing for our applications varies based on many factors, including the complexity and maturity of the application and its acceptance in the marketplace. New products or services offerings by competitors in the future could also impact the mix and pricing of our offerings.

Subscription services revenues are recognized over time as they are delivered and consumed concurrently over the contractual term, beginning on the date our service is made available to the customer. Our subscription contracts typically have a term of three years or longer and are generally non-cancelable. We generally invoice our customers annually in advance. Amounts that have been invoiced are initially recorded as unearned revenue.

Our consulting engagements are generally billed on a time and materials basis or fixed price basis. For contracts billed on a time and materials basis, revenue is recognized over time as the professional services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of the professional services performed. In some cases, we supplement our consulting teams by subcontracting resources from our service partners and deploying them on customer engagements. As our professional services organization and the Workday-related consulting practices of our partner firms continue to develop, we expect these partners to increasingly contract directly with our subscription customers. As a result of this trend, and the increase of our subscription services revenues, we expect our professional services revenues as a percentage of total revenues to decline over time.

Costs and Expenses

Costs of subscription services revenues. Costs of subscription services revenues consist primarily of employee-related expenses related to hosting our applications and providing customer support, the costs of data center capacity, and depreciation of computer equipment and software.

Costs of professional services revenues. Costs of professional services revenues consist primarily of employee-related expenses associated with these services, the costs of subcontractors, and travel expenses.

Product development. Product development expenses consist primarily of employee-related costs. We continue to focus our product development efforts on adding new features and applications, increasing the functionality, and enhancing the ease of use of our cloud applications.

Sales and marketing. Sales and marketing expenses consist primarily of employee-related costs, sales commissions, marketing programs, and travel expenses. Marketing programs consist of advertising, events, corporate communications, brand building, and product marketing activities. Sales commissions are considered incremental costs of obtaining a contract with a customer and are deferred and amortized. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be five years. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period.

General and administrative. General and administrative expenses consist of employee-related costs for finance and accounting, legal, human resources, information systems personnel, professional fees, and other corporate expenses.

Results of Operations

Revenues

Our total revenues for fiscal 2020, 2019, and 2018 were as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Subscription services	\$ 3,096,389	\$ 2,385,769	\$ 1,787,833
Professional services	530,817	436,411	355,217
Total revenues	\$ 3,627,206	\$ 2,822,180	\$ 2,143,050

Total revenues were \$3.6 billion for fiscal 2020, compared to \$2.8 billion for fiscal 2019, an increase of \$0.8 billion, or 29%. Subscription services revenues were \$3.1 billion for fiscal 2020, compared to \$2.4 billion for fiscal 2019, an increase of \$0.7 billion, or 30%. The increase in subscription services revenues was due primarily to an increased number of customer contracts as compared to the prior year. Professional services revenues were \$531 million for fiscal 2020, compared to \$436 million for fiscal 2019, an increase of \$95 million, or 22%. The increase in professional services revenues was due primarily to Workday performing deployment and integration services for a greater number of customers than in the prior year period.

Operating Expenses

GAAP operating expenses were \$4.1 billion for fiscal 2020, compared to \$3.3 billion for fiscal 2019, an increase of \$0.8 billion, or 26%. The increase was primarily due to an increase in employee-related costs driven by higher headcount.

We use the non-GAAP financial measure of non-GAAP operating expenses to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate our financial performance. We believe that non-GAAP operating expenses reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business. We also believe that non-GAAP operating expenses provide useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

Non-GAAP operating expenses are calculated by excluding share-based compensation expenses, and certain other expenses, which consist of employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

Non-GAAP operating expenses were \$3.1 billion for fiscal 2020, compared to \$2.5 billion for fiscal 2019, an increase of \$0.6 billion, or 24%. The increase was primarily due to an increase in employee-related costs driven by higher headcount.

Reconciliations of our GAAP to non-GAAP operating expenses were as follows (in thousands):

	Year Ended January 31, 2020			
	GAAP Operating Expenses	Share-Based Compensation Expenses ⁽¹⁾	Other Operating Expenses ⁽²⁾	Non-GAAP Operating Expenses ⁽³⁾
Costs of subscription services	\$ 488,513	\$ (49,919)	\$ (40,326)	\$ 398,268
Costs of professional services	576,745	(80,401)	(6,440)	489,904
Product development	1,549,906	(434,188)	(30,684)	1,085,034
Sales and marketing	1,146,548	(176,758)	(40,774)	929,016
General and administrative	367,724	(118,614)	(8,592)	240,518
Total costs and expenses	\$ 4,129,436	\$ (859,880)	\$ (126,816)	\$ 3,142,740

	Year Ended January 31, 2019			
	GAAP Operating Expenses	Share-Based Compensation Expenses ⁽¹⁾	Other Operating Expenses ⁽²⁾	Non-GAAP Operating Expenses ⁽³⁾
Costs of subscription services	\$ 379,877	\$ (36,754)	\$ (31,395)	\$ 311,728
Costs of professional services	455,073	(55,535)	(3,653)	395,885
Product development	1,211,832	(320,876)	(21,230)	869,726
Sales and marketing	891,345	(132,810)	(19,725)	738,810
General and administrative	347,337	(127,443)	(5,120)	214,774
Total costs and expenses	<u>\$ 3,285,464</u>	<u>\$ (673,418)</u>	<u>\$ (81,123)</u>	<u>\$ 2,530,923</u>

	Year Ended January 31, 2018			
	GAAP Operating Expenses	Share-Based Compensation Expenses ⁽¹⁾	Other Operating Expenses ⁽²⁾	Non-GAAP Operating Expenses ⁽³⁾
Costs of subscription services	\$ 273,461	\$ (26,280)	\$ (7,043)	\$ 240,138
Costs of professional services	355,952	(37,592)	(2,045)	316,315
Product development	910,584	(229,819)	(23,128)	657,637
Sales and marketing	683,367	(100,762)	(4,567)	578,038
General and administrative	222,909	(83,972)	(3,614)	135,323
Total costs and expenses	<u>\$ 2,446,273</u>	<u>\$ (478,425)</u>	<u>\$ (40,397)</u>	<u>\$ 1,927,451</u>

- (1) Share-based compensation expenses were \$860 million, \$673 million, and \$478 million for fiscal 2020, 2019, and 2018, respectively. The increase in share-based compensation expenses includes the impact of restricted stock units granted to existing and new employees and assumed Adaptive Insights awards.
- (2) Other operating expenses include employer payroll tax-related items on employee stock transactions of \$55 million, \$32 million, and \$21 million for fiscal 2020, 2019, and 2018, respectively. In addition, other operating expenses include amortization of acquisition-related intangible assets of \$72 million, \$49 million, and \$19 million for fiscal 2020, 2019, and 2018, respectively.
- (3) See “Non-GAAP Financial Measures” below for further information.

Costs of Subscription Services

GAAP operating expenses in costs of subscription services were \$489 million for fiscal 2020, compared to \$380 million for fiscal 2019, an increase of \$109 million, or 29%. The increase was primarily due to increases of \$34 million in employee-related costs driven by higher headcount, \$31 million in depreciation and amortization expense including amortization of acquisition-related intangible assets, and \$25 million in third-party costs for hardware maintenance and data center capacity.

Non-GAAP operating expenses in costs of subscription services were \$398 million for fiscal 2020, compared to \$312 million for fiscal 2019, an increase of \$86 million, or 28%. The increase was primarily due to increases of \$25 million in third-party costs for hardware maintenance and data center capacity, \$23 million in depreciation expense related to equipment in our data centers, and \$20 million in employee-related costs driven by higher headcount.

We expect that GAAP and non-GAAP operating expenses in costs of subscription services will continue to increase in absolute dollars as we improve and expand our data center capacity and operations.

Costs of Professional Services

GAAP operating expenses in costs of professional services were \$577 million for fiscal 2020, compared to \$455 million for fiscal 2019, an increase of \$122 million, or 27%. The increase was primarily due to additional costs to staff deployment and integration engagements.

Non-GAAP operating expenses in costs of professional services were \$490 million for fiscal 2020, compared to \$396 million for fiscal 2019, an increase of \$94 million, or 24%. The increase was primarily due to additional costs to staff deployment and integration engagements.

Going forward, we expect GAAP and non-GAAP costs of professional services as a percentage of total revenues to continue to decline as we continue to rely on our service partners to deploy our applications and as the number of our customers continues to grow. For fiscal 2021, we anticipate GAAP and non-GAAP professional services margins to be lower than fiscal 2020, as we invest in programs to ensure ongoing customer success.

Product Development

GAAP operating expenses in product development were \$1.5 billion for fiscal 2020, compared to \$1.2 billion for fiscal 2019, an increase of \$0.3 billion, or 28%. The increase was primarily due to an increase in employee-related costs driven by higher headcount.

Non-GAAP operating expenses in product development were \$1.1 billion for fiscal 2020, compared to \$0.9 billion for fiscal 2019, an increase of \$0.2 billion, or 25%. The increase was primarily due to an increase in employee-related costs driven by higher headcount.

We expect that GAAP and non-GAAP product development expenses will continue to increase in absolute dollars as we improve and extend our applications and develop new technologies.

Sales and Marketing

GAAP operating expenses in sales and marketing were \$1.1 billion for fiscal 2020, compared to \$0.9 billion for fiscal 2019, an increase of \$0.2 billion, or 29%. The increase was primarily due to an increase in employee-related costs driven by higher headcount and higher commissionable sales volume.

Non-GAAP operating expenses in sales and marketing were \$929 million for fiscal 2020, compared to \$739 million for fiscal 2019, an increase of \$190 million, or 26%. The increase was primarily due to an increase in employee-related costs driven by higher headcount and higher commissionable sales volume.

We expect that GAAP and non-GAAP sales and marketing expenses will continue to increase in absolute dollars as we continue to invest in the expansion of our domestic and international selling and marketing activities to build brand awareness and attract new customers.

General and Administrative

GAAP operating expenses in general and administrative were \$368 million for fiscal 2020, compared to \$347 million for fiscal 2019, an increase of \$21 million, or 6%. The increase was primarily due to increases of \$23 million in employee-related costs driven by higher headcount and \$9 million in facility and IT-related expenses, partially offset by one-time transaction and integration-related costs related to the Adaptive Insights acquisition incurred in the prior year that did not recur in the current year.

Non-GAAP operating expenses in general and administrative were \$241 million for fiscal 2020, compared to \$215 million for fiscal 2019, an increase of \$26 million, or 12%. The increase was primarily due to increases of \$28 million in employee-related costs driven by higher headcount and \$9 million in facility and IT-related expenses, partially offset by one-time transaction and integration-related costs related to the Adaptive Insights acquisition incurred in the prior year that did not recur in the current year.

We expect GAAP and non-GAAP general and administrative expenses will continue to increase in absolute dollars as we further invest in our infrastructure and support our global expansion.

Operating Margins

GAAP operating margins improved from (16.4)% for fiscal 2019, to (13.8)% for fiscal 2020. The improvement in our GAAP operating margin was primarily due to higher subscription and professional services revenues and the absence of prior year costs attributable to the Adaptive Insights acquisition that did not recur in the current year.

We use the non-GAAP financial measure of non-GAAP operating margins to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate our financial performance. We believe that non-GAAP operating margins reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business. We also believe that non-GAAP operating margins provide useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

Non-GAAP operating margins are calculated using GAAP revenues and non-GAAP operating expenses. See “Non-GAAP Financial Measures” below for further information.

Non-GAAP operating margins improved from 10.3% for fiscal 2019, to 13.4% for fiscal 2020. The improvement in our non-GAAP operating margin was primarily due to higher subscription and professional services revenues and the absence of prior year costs attributable to the Adaptive Insights acquisition that did not recur in the current year.

Reconciliations of our GAAP to non-GAAP operating margins were as follows:

Year Ended January 31, 2020				
	GAAP Operating Expenses	Share-Based Compensation Expenses	Other Operating Expenses	Non-GAAP Operating Expenses ⁽¹⁾
Operating margin	(13.8) %	23.7 %	3.5 %	13.4 %
Year Ended January 31, 2019				
	GAAP Operating Expenses	Share-Based Compensation Expenses	Other Operating Expenses	Non-GAAP Operating Expenses ⁽¹⁾
Operating margin	(16.4) %	23.8 %	2.9 %	10.3 %
Year Ended January 31, 2018				
	GAAP Operating Expenses	Share-Based Compensation Expenses	Other Operating Expenses	Non-GAAP Operating Expenses ⁽¹⁾
Operating margin	(14.1) %	22.3 %	1.9 %	10.1 %

(1) See “Non-GAAP Financial Measures” below for further information.

Other Income (Expense), Net

We had other income, net of \$20 million and \$40 million in fiscal 2020 and 2019, respectively, and \$12 million of other expense, net in 2018.

The decrease in other income, net for fiscal 2020 compared to fiscal 2019, was primarily due to a decrease in foreign currency gains associated with our foreign currency forward contracts that was attributable to the adoption of ASU No. 2017-12, *Derivatives and Hedging* in the first quarter of fiscal 2020, and the decrease in net gains from our equity investments of \$8 million. Refer to Note 10, *Derivatives* for further information regarding the impact of adopting ASU No. 2017-12 and to Note 3, *Investments* for further information regarding equity investments.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), “Use of non-GAAP financial measures in Commission filings,” defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating expenses and non-GAAP operating margins meet the definition of non-GAAP financial measures.

Non-GAAP Operating Expenses and Non-GAAP Operating Margins

Our non-GAAP operating expenses and non-GAAP operating margins exclude the components listed below. For the reasons set forth below, management believes that excluding the component provides useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management, in comparing financial results across accounting periods and to those of peer companies, and to better understand the long-term performance of our core business.

- *Share-Based Compensation Expenses.* Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Share-based compensation expenses are determined using a number of factors, including our stock price, volatility, and forfeiture rates that are beyond our control and generally unrelated to operational decisions and performance in any particular period. Further, share-based compensation expenses are not reflective of the value ultimately received by the grant recipients.

- **Other Operating Expenses.** Other operating expenses includes employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. For business combinations, we generally allocate a portion of the purchase price to intangible assets. The amount of the allocation is based on estimates and assumptions made by management and is subject to amortization. The amount of purchase price allocated to intangible assets and the term of its related amortization can vary significantly and are unique to each acquisition and thus we do not believe it is reflective of our ongoing operations.

Limitations on the Use of Non-GAAP Financial Measures

A limitation of our non-GAAP financial measures of non-GAAP operating expenses and non-GAAP operating margins is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Further, the non-GAAP financial measure of non-GAAP operating expenses has certain limitations because it does not reflect all items of expense that affect our operations and are reflected in the GAAP financial measure of total operating expenses. In the case of share-based compensation, if we did not pay out a portion of compensation in the form of share-based compensation and related employer payroll tax-related items, the cash salary expense included in costs of revenues and operating expenses would be higher, which would affect our cash position.

We compensate for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure, and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

See “Results of Operations—Operating Expenses and Results of Operations—Operating Margins” for reconciliations from the most directly comparable GAAP financial measures, GAAP operating expenses and GAAP operating margins, to the non-GAAP financial measures, non-GAAP operating expenses and non-GAAP operating margins, for fiscal 2020, 2019, and 2018.

Liquidity and Capital Resources

As of January 31, 2020, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling \$1.9 billion, which were primarily held for working capital purposes. Our cash equivalents and marketable securities are composed primarily of U.S. treasury securities, U.S. agency obligations, corporate bonds, commercial paper, and money market funds.

We have financed our operations primarily through customer payments, sales of equity investments, and issuance of debt. Our future capital requirements will depend on many factors, including our customer growth rate, subscription renewal activity, the timing of construction of facilities in Pleasanton, California and the acquisition of additional facilities, the timing and extent of development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings, the continuing market acceptance of our services, and acquisition and investment activities. We may enter into arrangements to acquire or invest in complementary businesses, employee teams, services, technologies, or intellectual property rights in the future. We also may choose to seek additional equity or debt financing.

Our cash flows for fiscal 2020, 2019, and 2018, were as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Net cash provided by (used in):			
Operating activities	\$ 864,598	\$ 606,658	\$ 465,727
Investing activities	(896,922)	(842,784)	(978,980)
Financing activities	125,124	(256,711)	1,106,262
Effect of exchange rate changes	(282)	(614)	751
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 92,518	\$ (493,451)	\$ 593,760

Operating Activities

Cash provided by operating activities was \$865 million, \$607 million, and \$466 million for fiscal 2020, 2019, and 2018, respectively. The improvement in cash flows provided by operating activities in fiscal 2020, compared to the prior fiscal year, was primarily the result of increased sales and the related cash collections, partially offset by higher operating expenses driven by increased headcount.

Investing Activities

Cash used in investing activities for fiscal 2020, was \$897 million, which was primarily the result of a net cash outflow related to acquisition activity of \$474 million, capital expenditures for data center and office space projects of \$244 million, capital expenditures related to owned real estate projects of \$99 million, purchases of non-marketable equity and other investments of \$25 million, and the timing of purchases and maturities of marketable securities. These payments were partially offset by proceeds of \$57 million from sales of marketable securities.

Cash used in investing activities for fiscal 2019, was \$843 million, which was primarily the result of a net cash outflow of \$1.4 billion related to acquisition activity, capital expenditures for data center and office space projects of \$203 million, capital expenditures related to the construction of our development center of \$160 million, and purchases of non-marketable equity and other investments of \$43 million. These payments were partially offset by the timing of purchases and maturities of marketable securities, proceeds of \$950 million from the sale of marketable securities, and proceeds of \$18 million from the sales and maturities of non-marketable equity and other investments. The sale of marketable securities during fiscal 2019, was primarily to fund the Adaptive Insights acquisition.

We expect capital expenditures related to owned real estate projects will be approximately \$230 million for fiscal 2021. We expect capital expenditures, excluding owned real estate projects, will be approximately \$350 million for fiscal 2021. These capital outlays will largely be used to expand the infrastructure of our data centers and to build out additional office space to support our growth.

Financing Activities

For fiscal 2020, cash provided by financing activities was \$125 million, which was primarily due to proceeds from the issuance of common stock from employee equity plans.

For fiscal 2019, cash used in financing activities was \$257 million, which was primarily due to the principal payment of \$350 million of 0.75% convertible senior notes, offset by \$94 million of proceeds from the issuance of common stock from employee equity plans.

Contractual Obligations

The following table summarizes our consolidated principal contractual cash obligations as of January 31, 2020 (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
1.50% Convertible Senior Notes due 2020 ⁽¹⁾	\$ 249,945	\$ 249,945	\$ —	\$ —	\$ —
0.25% Convertible Senior Notes due 2022 ⁽¹⁾	1,150,000	—	1,150,000	—	—
Aggregate interest obligation ⁽²⁾	9,380	4,580	4,800	—	—
Operating leases ⁽³⁾	347,815	75,003	135,154	91,678	45,980
Third-party hosted infrastructure platform obligations	472,459	40,375	80,000	80,000	272,084
Contractual commitments ⁽⁴⁾	145,669	87,814	32,045	25,810	—
Total	\$ 2,375,268	\$ 457,717	\$ 1,401,999	\$ 197,488	\$ 318,064

(1) Represents the aggregate principal amount of these notes, without the effect of associated discounts.

(2) Represents estimated aggregate interest obligations for our outstanding Notes that are payable in cash.

(3) Represents total lease payments based on contractual terms, excluding total imputed interest of \$40 million.

(4) Includes a \$50 million commitment as of January 31, 2020, to fund an ownership interest in a limited partnership, which was paid in February 2020.

Our contractual obligations primarily consist of our convertible senior notes, as well as obligations under leases for office space, co-location facilities for data center capacity, and third-party hosted infrastructure platforms for business operations.

We are not required to make principal payments under the Notes prior to maturity. If the Notes are not converted to Class A common stock prior to their maturity dates, we are required to repay \$250 million in principal on July 15, 2020, and \$1.15 billion in principal on October 1, 2022. We are also required to make interest payments on a semi-annual basis at the interest rates described in Note 11, Convertible Senior Notes, Net, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

We anticipate leasing additional office space near our headquarters and in various other locations around the world to support our growth. In addition, our existing lease agreements often provide us with an option to renew. We expect our future operating lease obligations to increase as we expand our operations.

Purchase orders are not included in the table above. Our purchase orders represent authorizations to purchase rather than binding agreements. The contractual obligation amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Off-Balance Sheet Arrangements

Through January 31, 2020, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2, Accounting Standards and Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and operating results.

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of our cloud applications for finance, human resources, planning, and analytics, with routine customer support. Revenue is generally recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our subscription contracts are generally three years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of consulting fees for deployment and optimization services, as well as training. Our consulting contracts are billed on a time and materials basis or a fixed price basis. For contracts billed on a time and materials basis, revenue is recognized over time as the professional services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of the professional services performed.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the cloud applications sold, customer demographics, geographic locations, and the number and types of users within our contracts.

Deferred Commissions

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, our technology, and other factors. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period. Amortization expense is included in Sales and marketing expenses on the consolidated statements of operations.

Convertible Senior Notes

In June 2013, we issued 0.75% convertible senior notes due July 15, 2018 (“2018 Notes”), with a principal amount of \$350 million, which were subsequently converted by note holders during the second quarter of fiscal 2019. Concurrently in June 2013, we issued 1.50% convertible senior notes due July 15, 2020 (“2020 Notes”), with a principal amount of \$250 million. In September 2017, we issued 0.25% convertible senior notes due October 1, 2022 (“2022 Notes”), with a principal amount of \$1.15 billion (together with the 2018 Notes and 2020 Notes, referred to as the “Notes”). In accounting for the issuance of the Notes, we separated each of the Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that do not have associated convertible features. The carrying amount of the equity components representing the conversion option were determined by deducting the fair value of the liability components from the par value of the respective Notes. These differences represent debt discounts that are amortized to interest expense over the respective terms of the Notes using the effective interest rate method. The equity components are not remeasured as long as they continue to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, we allocated the total amount of issuance costs incurred to the liability and equity components based on their relative values. Issuance costs attributable to the liability components are being amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the respective terms of the Notes. The issuance costs attributable to the equity components were netted against the respective equity components in Additional paid-in capital.

Business Combinations, Goodwill, and Acquisition-Related Intangible Assets

Accounting for business combinations requires us to make significant estimates and assumptions. We allocate the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values, with the excess recorded to goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, expected asset lives, royalty rates, and discount rates. The amounts and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

We use estimates, assumptions, and judgments when assessing the recoverability of goodwill and acquisition-related intangible assets. We test for impairment on an annual basis, or more frequently if a significant event or circumstance indicates impairment. We also evaluate the estimated remaining useful lives of acquisition-related intangible assets for changes in circumstances that warrant a revision to the remaining periods of amortization.

Recent Accounting Pronouncements

See Note 2, Accounting Standards and Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a full description of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We transact business globally in multiple currencies. As a result, our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. As of January 31, 2020, our most significant currency exposures were the euro, Canadian dollar, British pound, and Australian dollar.

Due to our exposure to market risks that may result from changes in foreign currency exchange rates, we enter into foreign currency derivative hedging transactions to mitigate these risks. For further information, see Note 10, Derivative Instruments, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Interest Rate Sensitivity

We had cash, cash equivalents, and marketable securities totaling \$1.9 billion and \$1.8 billion as of January 31, 2020, and 2019, respectively. Cash equivalents and marketable securities were invested primarily in U.S. treasury securities, U.S. agency obligations, corporate bonds, commercial paper, and money market funds. The cash, cash equivalents, and marketable securities are held primarily for working capital purposes. Our investment portfolios are managed to preserve capital and meet liquidity needs. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of debt securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as “available for sale,” no gains or losses are recognized in income due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

An immediate increase of 100 basis points in interest rates would have resulted in a \$7 million and \$5 million market value reduction in our investment portfolio as of January 31, 2020, and 2019, respectively. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in Accumulated other comprehensive income (loss) and are realized only if we sell the underlying securities before maturity.

Market Risk and Market Interest Risk

In June 2013, we completed an offering of \$350 million of 0.75% convertible senior notes due July 15, 2018, which were subsequently converted by note holders during the second quarter of fiscal 2019 (“2018 Notes”). In June 2013, concurrent with the 2018 Notes offering, we issued \$250 million of 1.50% convertible senior notes due July 15, 2020 (“2020 Notes”). In September 2017, we completed an offering of \$1.15 billion of 0.25% convertible senior notes due October 1, 2022 (“2022 Notes”) (together with the 2020 Notes, referred to as the “Outstanding Notes,” and together with the 2018 Notes and 2020 Notes, referred to as the “Notes”).

Holders may convert the Outstanding Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, holders of the Outstanding Notes will receive cash, shares of Class A common stock, or a combination of cash and shares of Class A common stock, at our election.

Concurrently with the issuance of Notes, we entered into separate note hedge and warrant transactions. These separate transactions were completed to reduce the potential economic dilution from the conversion of these Notes.

The 2020 Notes and 2022 Notes have fixed annual interest rates of 1.50% and 0.25%, respectively, and therefore we do not have economic interest rate exposure on the Outstanding Notes. However, the values of the Outstanding Notes are exposed to interest rate risk. Generally, the fair values of fixed interest rate notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair values of the Outstanding Notes are affected by our stock price. The carrying values of the 2020 Notes and 2022 Notes were \$244 million and \$1.0 billion, respectively, as of January 31, 2020. The carrying values represent the liability components of the principal balances of the Outstanding Notes as of January 31, 2020. The estimated fair values of the 2020 Notes and 2022 Notes were \$571 million and \$1.6 billion, respectively, as of January 31, 2020. The estimated fair values were determined based on the quoted bid prices of the 2020 Notes and 2022 Notes in an over-the-counter market as of the last trading day for fiscal 2020, which were \$228.47 and \$138.09, respectively. For further information, see Note 11, Convertible Senior Notes, Net, of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WORKDAY, INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Workday, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Workday, Inc. (the Company) as of January 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 3, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter 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 account or disclosure to which it relates.

Revenue Recognition

Description of the Matter

As described in Note 2 to the consolidated financial statements, the Company recognizes revenue primarily from subscription services and professional services contracts. Some of the Company's contracts contain multiple performance obligations. For these contracts, the Company assesses the performance obligations and accounts for those obligations separately if they are distinct. In such cases, the transaction price is allocated to the distinct performance obligations on a relative standalone selling price basis.

Auditing the Company's determination of distinct performance obligations and the allocation of the transaction price to these performance obligations can be challenging. For example, there may be nonstandard terms and conditions that require judgment to determine the distinct performance obligations and relative standalone selling prices are accounted for appropriately.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to identify distinct performance obligations and allocate the transaction price to those performance obligations, including the underlying assumptions related to the relative standalone selling price.

Among other audit procedures, we selected a sample of contracts and evaluated whether management appropriately identified and considered the terms and conditions and the appropriate revenue recognition. As part of our procedures, we evaluated the assessment of distinct performance obligations and the accuracy and completeness of the underlying data used in management's determination of the relative standalone selling prices.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

San Jose, California
March 3, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Workday, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Workday, Inc.'s internal control over financial reporting as of January 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Workday, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2020, and the related notes and our report dated March 3, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ Ernst & Young LLP

San Jose, California
March 3, 2020

WORKDAY, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value data)

	January 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 731,141	\$ 638,554
Marketable securities	1,213,432	1,139,864
Trade and other receivables, net of allowance for doubtful accounts of \$6,762 and \$5,965, respectively	877,578	704,680
Deferred costs	100,459	80,809
Prepaid expenses and other current assets	172,012	136,689
Total current assets	3,094,622	2,700,596
Property and equipment, net	936,179	796,907
Operating lease right-of-use assets	290,902	—
Deferred costs, noncurrent	222,395	183,518
Acquisition-related intangible assets, net	308,401	313,240
Goodwill	1,819,261	1,379,125
Other assets	144,605	147,360
Total assets	\$ 6,816,365	\$ 5,520,746
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 57,556	\$ 29,093
Accrued expenses and other current liabilities	130,050	123,542
Accrued compensation	248,154	207,924
Unearned revenue	2,223,178	1,837,618
Operating lease liabilities	66,147	—
Current portion of convertible senior notes, net	244,319	232,514
Total current liabilities	2,969,404	2,430,691
Convertible senior notes, net	1,017,967	972,264
Unearned revenue, noncurrent	86,025	111,652
Operating lease liabilities, noncurrent	241,425	—
Other liabilities	14,993	47,697
Total liabilities	4,329,814	3,562,304
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10 million shares authorized as of January 31, 2020, and 2019; no shares issued and outstanding as of January 31, 2020, and 2019	—	—
Class A common stock, \$0.001 par value; 750 million shares authorized as of January 31, 2020, and 2019; 170 million and 157 million shares issued and outstanding as of January 31, 2020, and 2019, respectively	170	157
Class B common stock, \$0.001 par value; 240 million shares authorized as of January 31, 2020, and 2019; 62 million and 65 million shares issued and outstanding as of January 31, 2020, and 2019, respectively	61	64
Additional paid-in capital	5,090,187	4,105,334
Accumulated other comprehensive income (loss)	23,492	(809)
Accumulated deficit	(2,627,359)	(2,146,304)
Total stockholders' equity	2,486,551	1,958,442
Total liabilities and stockholders' equity	\$ 6,816,365	\$ 5,520,746

See Notes to Consolidated Financial Statements

WORKDAY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended January 31,		
	2020	2019	2018
Revenues:			
Subscription services	\$ 3,096,389	\$ 2,385,769	\$ 1,787,833
Professional services	530,817	436,411	355,217
Total revenues	3,627,206	2,822,180	2,143,050
Costs and expenses ⁽¹⁾:			
Costs of subscription services	488,513	379,877	273,461
Costs of professional services	576,745	455,073	355,952
Product development	1,549,906	1,211,832	910,584
Sales and marketing	1,146,548	891,345	683,367
General and administrative	367,724	347,337	222,909
Total costs and expenses	4,129,436	3,285,464	2,446,273
Operating loss	(502,230)	(463,284)	(303,223)
Other income (expense), net	19,783	39,532	(11,563)
Loss before provision for (benefit from) income taxes	(482,447)	(423,752)	(314,786)
Provision for (benefit from) income taxes	(1,773)	(5,494)	6,436
Net loss	\$ (480,674)	\$ (418,258)	\$ (321,222)
Net loss attributable to Class A and Class B common stockholders	\$ (480,674)	\$ (418,258)	\$ (321,222)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (2.12)	\$ (1.93)	\$ (1.55)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	227,185	216,789	207,774

(1) Costs and expenses include share-based compensation expenses as follows:

	Year Ended January 31,		
	2020	2019	2018
Costs of subscription services	\$ 49,919	\$ 36,754	\$ 26,280
Costs of professional services	80,401	55,535	37,592
Product development	434,188	320,876	229,819
Sales and marketing	176,758	132,810	100,762
General and administrative	118,614	127,443	83,972

See Notes to Consolidated Financial Statements

WORKDAY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended January 31,		
	2020	2019	2018
Net loss	\$ (480,674)	\$ (418,258)	\$ (321,222)
Other comprehensive income (loss), net of tax:			
Net change in foreign currency translation adjustment	(575)	(1,635)	1,581
Net change in unrealized gains (losses) on available-for-sale debt securities, net of tax provision of \$839, \$660, and \$0, respectively	2,392	2,534	(2,687)
Net change in market value of effective foreign currency forward exchange contracts, net of tax provision of \$3,216, \$6,386, and \$0, respectively	22,484	44,705	(47,378)
Other comprehensive income (loss), net of tax:	24,301	45,604	(48,484)
Comprehensive loss	\$ (456,373)	\$ (372,654)	\$ (369,706)

See Notes to Consolidated Financial Statements

WORKDAY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Year Ended January 31,		
	2020	2019	2018
Common stock:			
Balance, beginning of period	\$ 221	\$ 211	\$ 202
Issuance of common stock under employee equity plans	3	2	3
Vested restricted stock units	7	6	6
Settlement of convertible senior notes	—	2	—
Balance, end of period	231	221	211
Additional paid-in capital:			
Balance, beginning of period	4,105,334	3,354,423	2,681,200
Issuance of common stock under employee equity plans	125,670	37,752	69,052
Vesting of early exercised stock options	—	—	775
Vested restricted stock units	(7)	(6)	(6)
Share-based compensation	858,809	652,404	478,425
Purchase of convertible senior notes hedges	—	—	(175,530)
Issuance of warrants	—	—	80,805
Equity component of convertible senior notes	—	—	219,702
Equity awards assumed in business combination	—	4,350	—
Exercise of convertible senior notes hedges	—	193,680	—
Settlement of convertible senior notes	—	(24)	—
Settlement of warrants	—	(137,245)	—
Cumulative-effect adjustment to Accumulated deficit related to the adoption of ASU No. 2018-07	381	—	—
Balance, end of period	5,090,187	4,105,334	3,354,423
Treasury stock:			
Balance, beginning of period	—	—	—
Issuance of common stock under employee equity plans	—	55,813	—
Exercise of convertible senior notes hedges	—	(193,679)	—
Settlement of convertible senior notes	—	17	—
Settlement of warrants	—	137,849	—
Balance, end of period	—	—	—
Accumulated other comprehensive income (loss):			
Balance, beginning of period	(809)	(46,413)	2,071
Other comprehensive income (loss)	24,301	45,604	(48,484)
Balance, end of period	23,492	(809)	(46,413)
Accumulated deficit:			
Balance, beginning of period	(2,146,304)	(1,727,856)	(1,406,865)
Net loss	(480,674)	(418,258)	(321,222)
Settlement of warrants	—	(617)	—
Cumulative-effect adjustment to Accumulated deficit related to the adoption of ASU No. 2018-07	(381)	—	—
Cumulative-effect adjustment to Accumulated deficit related to the adoption of ASU No. 2016-16	—	427	—
Cumulative-effect adjustment to Accumulated deficit related to the adoption of ASU No. 2016-09	—	—	231
Balance, end of period	(2,627,359)	(2,146,304)	(1,727,856)
Total stockholders' equity	\$ 2,486,551	\$ 1,958,442	\$ 1,580,365

	Year Ended January 31,		
	2020	2019	2018
Common stock (in shares):			
Balance, beginning of period	222,052,063	211,977,495	202,943,405
Issuance of common stock under employee equity plans	3,073,454	2,317,463	3,318,514
Vested restricted stock units	6,582,657	6,273,733	5,715,576
Settlement of warrants	—	25,990	—
Settlement of convertible senior notes	217	1,457,382	—
Balance, end of period	231,708,391	222,052,063	211,977,495

See Notes to Consolidated Financial Statements

WORKDAY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended January 31,		
	2020	2019	2018
Cash flows from operating activities			
Net loss	\$ (480,674)	\$ (418,258)	\$ (321,222)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	276,278	198,111	135,723
Share-based compensation expenses	859,571	652,465	478,425
Amortization of deferred costs	90,641	71,238	57,562
Amortization of debt discount and issuance costs	54,034	59,974	43,916
Non-cash lease expense	67,325	—	—
Other	(35,063)	(53,195)	(8,379)
Changes in operating assets and liabilities, net of business combinations:			
Trade and other receivables, net	(176,141)	(160,527)	(114,613)
Deferred costs	(149,168)	(131,996)	(92,552)
Prepaid expenses and other assets	(17,736)	(16,344)	(68,983)
Accounts payable	20,293	5,877	(7,249)
Accrued expenses and other liabilities	220	54,895	47,515
Unearned revenue	355,018	344,418	315,584
Net cash provided by (used in) operating activities	864,598	606,658	465,727
Cash flows from investing activities			
Purchases of marketable securities	(1,797,468)	(1,989,868)	(2,515,997)
Maturities of marketable securities	1,686,643	2,090,693	1,591,554
Sales of marketable securities	56,508	949,970	243,727
Owned real estate projects	(99,308)	(181,180)	(124,811)
Capital expenditures, excluding owned real estate projects	(243,694)	(202,507)	(141,536)
Business combinations, net of cash acquired	(473,603)	(1,474,337)	(5,744)
Purchase of other intangible assets	(850)	(10,450)	(11,000)
Purchases of non-marketable equity and other investments	(25,393)	(43,016)	(16,199)
Sales and maturities of non-marketable equity and other investments	252	17,911	1,026
Other	(9)	—	—
Net cash provided by (used in) investing activities	(896,922)	(842,784)	(978,980)
Cash flows from financing activities			
Proceeds from borrowings on convertible senior notes, net of issuance costs	—	—	1,132,101
Proceeds from issuance of warrants	—	—	80,805
Purchase of convertible senior notes hedges	—	—	(175,530)
Payments on convertible senior notes	(30)	(350,030)	—
Proceeds from issuance of common stock from employee equity plans	125,673	93,567	69,056
Other	(519)	(248)	(170)
Net cash provided by (used in) financing activities	125,124	(256,711)	1,106,262
Effect of exchange rate changes	(282)	(614)	751
Net increase (decrease) in cash, cash equivalents, and restricted cash	92,518	(493,451)	593,760
Cash, cash equivalents, and restricted cash at the beginning of period	642,203	1,135,654	541,894
Cash, cash equivalents, and restricted cash at the end of period	\$ 734,721	\$ 642,203	\$ 1,135,654

See Notes to Consolidated Financial Statements

	Year Ended January 31,		
	2020	2019	2018
Supplemental cash flow data			
Cash paid for interest, net of amounts capitalized	\$ 3,306	\$ 38	\$ 76
Cash paid for income taxes	9,010	6,007	3,418
Non-cash investing and financing activities:			
Purchases of property and equipment, accrued but not paid	46,027	56,308	51,545

	As of January 31,		
	2020	2019	2018
Reconciliation of cash, cash equivalents, and restricted cash as shown in the statements of cash flows			
Cash and cash equivalents	\$ 731,141	\$ 638,554	\$ 1,134,355
Restricted cash included in Prepaid expenses and other current assets	3,459	3,519	—
Restricted cash included in Other assets	121	130	1,299
Total cash, cash equivalents, and restricted cash	<u>\$ 734,721</u>	<u>\$ 642,203</u>	<u>\$ 1,135,654</u>

See Notes to Consolidated Financial Statements

Workday, Inc.

Notes to Consolidated Financial Statements

Note 1. Overview and Basis of Presentation

Company and Background

Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. We offer innovative and adaptable technology focused on the consumer internet experience and cloud delivery model. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible, and reliable applications to manage critical business functions that help enable them to optimize their financial and human capital resources. We were originally incorporated in March 2005 in Nevada, and in June 2012, we reincorporated in Delaware. As used in this report, the terms "Workday," "registrant," "we," "us," and "our" mean Workday, Inc. and its subsidiaries, unless the context indicates otherwise.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2020, for example, refer to the fiscal year ended January 31, 2020.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the results of Workday, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. These estimates and judgments include, but are not limited to the fair value of assets acquired and liabilities assumed through business combinations, the determination of the period of benefit for deferred commissions, certain assumptions used in the valuation of equity awards, and assumptions used in the valuation of non-marketable equity investments. Actual results could differ from those estimates and such differences could be material to our consolidated financial position and results of operations.

Segment Information

We operate in one operating segment, cloud applications. Operating segments are defined as components of an enterprise where separate financial information is evaluated regularly by the chief operating decision maker, who is our chief executive officer, in deciding how to allocate resources and assessing performance. Our chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Note 2. Accounting Standards and Significant Accounting Policies

Summary of Significant Accounting Policies

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to receive in exchange for these services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of our cloud applications for finance, human resources, planning, and analytics, with routine customer support. Revenue is generally recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our subscription contracts are generally three years or longer in length, billed annually in advance, and are non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of consulting fees for deployment and optimization services, as well as training. Our consulting contracts are billed on a time and materials basis or a fixed price basis. For contracts billed on a time and materials basis, revenue is recognized over time as the professional services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of the professional services performed.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the cloud applications sold, customer demographics, geographic locations, and the number and types of users within our contracts.

Fair Value Measurement

We measure our cash equivalents, marketable securities, and foreign currency derivative contracts at fair value at each reporting period using a fair value hierarchy that requires that we maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs that are supported by little or no market activity.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase. Our cash equivalents primarily consist of investments in U.S. treasury securities, U.S. agency obligations, corporate bonds, commercial paper, and money market funds.

Debt Securities

Our debt securities primarily consist of investments in U.S. treasury securities, U.S. agency obligations, corporate bonds, and commercial paper. We classify our debt securities as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. We consider all debt securities as available for use in current operations, including those with maturity dates beyond one year, and therefore classify these securities as current assets in the accompanying consolidated balance sheets.

All debt securities are recorded at their estimated fair value. Unrealized gains and losses on available-for-sale debt securities are recorded in Accumulated other comprehensive income (loss) ("AOCI"). We evaluate our investments to assess whether those in unrealized loss positions are other-than-temporarily impaired. We consider impairments to be other-than-temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method and are reported in Other income (expense), net on the consolidated statements of operations.

If quoted prices for identical instruments are available in an active market, debt securities are classified within Level 1 of the fair value hierarchy. If quoted prices for identical instruments in active markets are not available, fair values are estimated using quoted prices of similar instruments and are classified within Level 2 of the fair value hierarchy. To date, all of our debt securities can be valued using one of these two methodologies.

Equity Investments

We hold marketable and non-marketable equity investments, over which we do not have a controlling interest or significant influence. Marketable equity investments are measured using quoted prices in active markets with changes recorded in Other income (expense), net on the consolidated statements of operations. Non-marketable equity investments have no readily determinable fair values and are measured using the measurement alternative, which is defined as cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. Adjustments are recorded in Other income (expense), net on the consolidated statements of operations.

Non-marketable equity investments are valued using significant unobservable inputs or data in an inactive market and the valuation requires our judgment due to the absence of market prices and inherent lack of liquidity. The carrying value for these investments is not adjusted if there are no observable transactions for identical or similar investments of the same issuer or if there are no identified events or changes in circumstances that may indicate impairment. Valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data. In addition, the determination of whether an orderly transaction is for an identical or similar investment requires significant management judgment, including understanding the differences in the rights and obligations of the investments and the extent to which those differences would affect the fair values of those investments.

We assess our non-marketable equity investments quarterly for impairment. Our impairment analysis encompasses an assessment of the severity and duration of the impairment and a qualitative and quantitative analysis of other key factors including the investee's financial metrics, market acceptance of the investee's product or technology, other competitive products or technology in the market, general market conditions, and the rate at which the investee is using its cash. If our investment is considered to be impaired, we will record an impairment in Other income (expense), net on the consolidated statements of operations and establish a new carrying value for the investment.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts, which is not material. Other receivables represent unbilled receivables related to subscription and professional services contracts.

Deferred Commissions

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, our technology, and other factors. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period. Amortization expense is included in Sales and marketing expenses on the consolidated statements of operations.

Derivative Financial Instruments and Hedging Activities

We use derivative financial instruments to manage foreign currency risks. Derivative instruments are carried at fair value and recorded as either an asset or liability on the consolidated balance sheets. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For derivative instruments designated as cash flow hedges, which we use to hedge certain customer contracts denominated in foreign currencies, the gains or losses are recorded in AOCI and subsequently reclassified to income in the same period that the underlying revenues are earned. For derivative instruments not designated as hedging instruments, which we use to hedge a portion of our net outstanding monetary assets and liabilities, the gains or losses are recorded in Other income (expense), net on the consolidated statement of operations in the period of change. We use nonderivative financial instruments designated as net investment hedges to hedge our net investment in certain foreign subsidiaries. The gains or losses, which are not material, are recorded in the currency translation adjustment component of AOCI, and are reclassified to income in the period in which the hedged subsidiary is either sold or substantially liquidated.

Our foreign currency contracts are classified within Level 2 of the fair value hierarchy because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the related lease term or ten years. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Business Combinations

We use our best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed as of the acquisition date. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill and Acquisition-Related Intangible Assets

Acquisition-related intangible assets with finite lives are amortized over their estimated useful lives. Goodwill amounts are not amortized. Acquisition-related intangible assets and goodwill are tested for impairment at least annually, and more frequently upon the occurrence of certain events.

Unearned Revenue

Unearned revenue primarily consists of customer billings in advance of revenues being recognized from our subscription contracts. We generally invoice our customers annually in advance for our subscription services. Our typical payment terms provide that customers pay a portion of the total arrangement fee within 30 days of the contract date. Unearned revenue that is anticipated to be recognized during the succeeding twelve-month period is recorded as current unearned revenue and the remaining portion is recorded as noncurrent.

Convertible Senior Notes

In June 2013, we issued 0.75% convertible senior notes due July 15, 2018, (“2018 Notes”) with a principal amount of \$350 million, which were subsequently converted by note holders during the second quarter of fiscal 2019. Concurrently in June 2013, we issued 1.50% convertible senior notes due July 15, 2020 (“2020 Notes”) with a principal amount of \$250 million. In September 2017, we issued 0.25% convertible senior notes due October 1, 2022, (“2022 Notes”) with a principal amount of \$1.15 billion (together with the 2018 Notes and 2020 Notes, referred to as the “Notes”). In accounting for the issuance of the Notes, we separated each of the Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that do not have associated convertible features. The carrying amount of the equity components representing the conversion option were determined by deducting the fair value of the liability components from the par value of the respective Notes. These differences represent debt discounts that are amortized to interest expense over the respective terms of the Notes using the effective interest rate method. The equity components are not remeasured as long as they continue to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, we allocated the total amount of issuance costs incurred to the liability and equity components based on their relative values. Issuance costs attributable to the liability components are being amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the respective terms of the Notes. The issuance costs attributable to the equity components were netted against the respective equity components in Additional paid-in capital.

Leases

We have entered into operating lease agreements for our office space, data centers, and other property and equipment. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to prepaid or deferred lease payments and lease incentives. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate as of the first day of each fiscal quarter for the leases commenced in the respective quarter to determine the present value of lease payments.

We recognize variable lease costs in our consolidated statement of operations in the period incurred. Variable lease costs include common area maintenance, utilities, real estate taxes, insurance, and other operating costs that are passed on from the lessor.

Options to extend or terminate a lease are included in the lease term when it is reasonably certain that we will exercise such options. The remaining lease term of our leases generally ranges from less than one year to ten years.

Advertising Expenses

Advertising is expensed as incurred. Advertising expense was \$61 million, \$51 million, and \$43 million for fiscal 2020, 2019, and 2018, respectively.

Share-Based Compensation

We measure and recognize compensation expense for share-based awards issued to employees and non-employees, including restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”), stock options, and purchases under the 2012 Employee Stock Purchase Plan (“ESPP”), on our consolidated statements of operations.

For RSUs and PRSUs, fair value is based on the closing price of our common stock on the grant date. Compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period. The requisite service period of the awards is generally the same as the vesting period.

For stock options assumed, fair value is estimated using the Black-Scholes option-pricing model. Compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period. We determine the assumptions for the option-pricing model as follows:

- *Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date closest to the grant date for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the stock option grants.
- *Expected Term.* The expected term represents the period that our share-based award is expected to be outstanding. The expected term for stock options was determined based on the vesting terms, exercise terms, and contractual lives.
- *Volatility.* The volatility is based on a blend of historical volatility and implied volatility of our common stock. Implied volatility is based on market traded options of our common stock.
- *Dividend Yield.* The dividend yield is assumed to be zero as we have not paid and do not expect to pay dividends.

For shares issued under the ESPP, fair value is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized on a straight-line basis over the offering period. We determine the assumptions for the option-pricing model as follows:

- *Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date closest to the grant date for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the ESPP purchase rights.
- *Expected Term.* The expected term represents the period that our ESPP is expected to be outstanding. The expected term for the ESPP approximates the offering period.
- *Volatility.* The volatility is based on a blend of historical volatility and implied volatility of our common stock. Implied volatility is based on market traded options of our common stock.
- *Dividend Yield.* The dividend yield is assumed to be zero as we have not paid and do not expect to pay dividends.

Income Taxes

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

Warranties and Indemnification

Our cloud applications are generally warranted to perform materially in accordance with our online documentation under normal use and circumstances. Additionally, our contracts generally include provisions for indemnifying customers against liabilities if use of our cloud applications infringe a third party's intellectual property rights. We may also incur liabilities if we breach the security, privacy and/or confidentiality obligations in our contracts. To date, we have not incurred any material costs, and we have not accrued any liabilities in the accompanying consolidated financial statements, as a result of these obligations.

In our standard agreements with customers, we commit to defined levels of service availability and performance and, under certain circumstances, permit customers to receive credits in the event that we fail to meet those levels. In the event our failure to meet those levels triggers a termination right for a customer, we permit a terminating customer to receive a refund of prepaid amounts related to unused subscription services. To date, we have not experienced any significant failures to meet defined levels of availability and performance of those obligations and, as a result, we have not accrued any liabilities related to these agreements on the consolidated financial statements.

Foreign Currency Exchange

The functional currency for certain of our foreign subsidiaries is the U.S. dollar, while others use local currencies. We translate the foreign functional currency financial statements to U.S. dollars for those entities that do not have U.S. dollars as their functional currency using the exchange rates at the balance sheet date for assets and liabilities, the period average exchange rates for revenues and expenses, and the historical exchange rates for equity transactions. The effects of foreign currency translation adjustments are recorded in other comprehensive income ("OCI") as a component of stockholders' equity and related periodic movements are summarized as a line item in our consolidated statements of comprehensive loss. Foreign currency transaction gains and losses are included in Other income (expense), net on the consolidated statements of operations.

Concentrations of Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, debt securities, and trade and other receivables. Our deposits exceed federally insured limits.

No customer individually accounted for more than 10% of trade and other receivables, net as of January 31, 2020, or 2019. No customer individually accounted for more than 10% of total revenues for any of the periods on the consolidated financial statements.

In order to reduce the risk of down-time of our cloud applications, we have established data centers in various geographic regions. We have internal procedures to restore services in the event of disaster at one of our current data center facilities. We serve our customers and users from data center facilities operated by third parties, located in the United States, Europe, and Canada. Even with these procedures for disaster recovery in place, our cloud applications could be significantly interrupted during the implementation of the procedures to restore services.

In addition, we rely upon third-party hosted infrastructure partners globally, including Amazon Web Services and Dimension Data, to serve customers and operate certain aspects of our services, such as environments for development testing, training, sales demonstrations, and production usage. Given this, any disruption of or interference at our hosted infrastructure partners would impact our operations and our business could be adversely impacted.

Other than the United States, no country individually accounted for more than 10% of total revenues for any of the periods on the consolidated financial statements.

Recently Adopted Accounting Pronouncements

ASU No. 2016-02

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which requires the recognition of right-of-use assets and lease liabilities on the balance sheet for those leases currently classified as operating leases under Accounting Standards Codification *Topic 840 Leases*. Accounting for finance leases remains substantially unchanged.

We adopted this standard effective February 1, 2019, using a modified retrospective method, under which financial results reported in periods prior to February 1, 2019, were not adjusted. We elected the package of transition practical expedients, which among other things, does not require reassessment of lease classifications. Additionally, we elected to combine lease and non-lease components for each of our existing underlying asset classes and to not include leases with a term of 12 months or less on our consolidated balance sheets.

The most significant impact of adopting this standard was the recognition of \$279 million of operating lease right-of-use assets and \$307 million of operating lease liabilities on our consolidated balance sheet as of February 1, 2019. Additionally, we reclassified \$28 million in previously recognized deferred rent obligations and lease incentives to operating lease right-of-use assets. This adoption did not result in any cumulative-effect adjustments to Accumulated deficit, and there was no material impact on our consolidated statement of operations. For further information, see Note 12, Leases.

ASU No. 2017-12

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815)*, to better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. We adopted this new standard effective February 1, 2019. As a result of adopting the standard, the entire change in the fair value of our foreign currency forward contracts designated as cash flow hedges will be presented in the same income statement line item as the respective hedged items. This adoption did not result in any cumulative-effect adjustments to Accumulated deficit, and the amended presentation guidance was applied prospectively. For further information, see Note 10, Derivative Instruments.

ASU No. 2018-02

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which provides entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the 2017 Tax Cuts and Jobs Act to retained earnings. We adopted this new standard effective February 1, 2019. The adoption of this new standard did not have a material impact on our consolidated financial statements.

ASU No. 2018-07

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees, with certain exceptions. We adopted this standard effective February 1, 2019, and remeasured all outstanding equity-classified non-employee share-based payment awards at fair value as of the adoption date, which resulted in a \$0.4 million cumulative-effect adjustment to Accumulated deficit.

Recently Issued Accounting Pronouncements

ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, including trade receivables. ASU No. 2016-13 replaces the existing incurred loss impairment model with an expected loss model that requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes may result in more timely recognition of credit losses. We plan to adopt this new standard in the first quarter of our fiscal 2021. The impact on our consolidated financial statements from the adoption of this standard is expected to be immaterial.

ASU No. 2018-15

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard requires capitalized costs to be amortized on a straight-line basis generally over the term of the arrangement, and the financial statement presentation for these capitalized costs would be the same as that of the fees related to the hosting arrangements. We plan to adopt this standard in the first quarter of our fiscal 2021, on a prospective basis. The impact of our adoption of this standard on our consolidated financial statements will largely depend on the magnitude of implementation costs incurred in our cloud computing arrangements beginning February 1, 2020. Implementation costs capitalized subsequent to adoption will be recognized in operating expenses in our consolidated financial statements over the related contract life.

ASU No. 2019-12

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies accounting guidance for certain tax matters including franchise taxes, certain transactions that result in a step-up in tax basis of goodwill, and enacted changes in tax laws in interim periods. In addition, it eliminates a company's need to evaluate certain exceptions relating to the incremental approach for intra-period tax allocation, accounting for basis differences when there are ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The standard is applicable to our consolidated financial statements in interim and annual periods beginning February 1, 2021. Early adoption is permitted. We plan to adopt this guidance in the first quarter of our fiscal 2021. We are currently evaluating the accounting, transition, and disclosure requirements of this standard.

Note 3. Investments

Debt Securities

As of January 31, 2020, debt securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. treasury securities	\$ 312,183	\$ 492	\$ (5)	\$ 312,670
U.S. agency obligations	169,613	99	(44)	169,668
Corporate bonds	504,434	2,476	—	506,910
Commercial paper	364,701	—	—	364,701
	<u>\$ 1,350,931</u>	<u>\$ 3,067</u>	<u>\$ (49)</u>	<u>\$ 1,353,949</u>
Included in cash and cash equivalents	\$ 140,517	\$ —	\$ —	\$ 140,517
Included in marketable securities	\$ 1,210,414	\$ 3,067	\$ (49)	\$ 1,213,432

As of January 31, 2019, debt securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. treasury securities	\$ 396,347	\$ 61	\$ (178)	\$ 396,230
U.S. agency obligations	241,914	73	(151)	241,836
Corporate bonds	419,784	336	(352)	419,768
Commercial paper	254,175	—	(2)	254,173
	<u>\$ 1,312,220</u>	<u>\$ 470</u>	<u>\$ (683)</u>	<u>\$ 1,312,007</u>
Included in cash and cash equivalents	\$ 216,270	\$ —	\$ —	\$ 216,270
Included in marketable securities	\$ 1,095,950	\$ 470	\$ (683)	\$ 1,095,737

We do not believe the unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of January 31, 2020, which includes an assessment of whether it is more likely than not we will be required to sell the investment before recovery of the investment's amortized cost basis. The unrealized losses on debt securities that have been in a net loss position for 12 months or more were not material as of January 31, 2020. Debt securities included in Marketable securities on the consolidated balance sheets consist of securities with original maturities at the time of purchase greater than three months, and the remainder of the securities is included in Cash and cash equivalents.

We sold \$6 million, \$950 million, and \$244 million of our debt securities during fiscal 2020, 2019, and 2018, respectively. The realized gains and losses from the sales were immaterial.

Equity Investments

Equity investments consisted of the following (in thousands):

	Consolidated Balance Sheets Location	January 31,	
		2020	2019
Money market funds ⁽¹⁾	Cash and cash equivalents	\$ 386,909	\$ 237,071
Marketable equity investments ⁽¹⁾	Marketable securities	—	44,127
Non-marketable equity investments ⁽²⁾	Other assets	59,026	36,925
		<u>\$ 445,935</u>	<u>\$ 318,123</u>

(1) Investments with readily determinable fair values.

(2) Investments in privately held companies without readily determinable fair values.

We sold \$51 million of marketable equity investments during fiscal 2020, with a corresponding gain recognized of \$7 million. There were no sales of marketable equity investments during fiscal 2019 and 2018, respectively.

During fiscal 2020, there were \$6 million in upward adjustments to the carrying values of non-marketable equity investments and an immaterial amount of downward adjustments. No material adjustments were made to the carrying values during fiscal 2019. In addition, we also recognized a \$20 million non-cash gain on the sale of a non-marketable equity investment as part of the Scout acquisition. See Note 7, Business Combinations for further details on the Scout acquisition.

Total realized and unrealized gains and losses associated with our equity investments consisted of the following (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Net realized gains (losses) recognized on equity investments sold	\$ 26,837	\$ 8,333	\$ 720
Net unrealized gains (losses) recognized on equity investments held	6,057	32,127	(692)
Total net gains (losses) recognized in other income (expense), net	<u>\$ 32,894</u>	<u>\$ 40,460</u>	<u>\$ 28</u>

In February 2020, we purchased an ownership interest in a limited partnership for \$50 million. This investment will be accounted for as an equity method investment.

Note 4. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of January 31, 2020 (in thousands):

	Level 1	Level 2	Level 3	Total
U.S. treasury securities	\$ 312,670	\$ —	\$ —	\$ 312,670
U.S. agency obligations	—	169,668	—	169,668
Corporate bonds	—	506,910	—	506,910
Commercial paper	—	364,701	—	364,701
Money market funds	386,909	—	—	386,909
Foreign currency derivative assets	—	33,274	—	33,274
Total assets	\$ 699,579	\$ 1,074,553	\$ —	\$ 1,774,132
Foreign currency derivative liabilities	\$ —	\$ 3,996	\$ —	\$ 3,996
Total liabilities	\$ —	\$ 3,996	\$ —	\$ 3,996

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of January 31, 2019 (in thousands):

	Level 1	Level 2	Level 3	Total
U.S. treasury securities	\$ 396,230	\$ —	\$ —	\$ 396,230
U.S. agency obligations	—	241,836	—	241,836
Corporate bonds	—	419,768	—	419,768
Commercial paper	—	254,173	—	254,173
Money market funds	237,071	—	—	237,071
Marketable equity investments	44,127	—	—	44,127
Foreign currency derivative assets	—	22,570	—	22,570
Total assets	\$ 677,428	\$ 938,347	\$ —	\$ 1,615,775
Foreign currency derivative liabilities	\$ —	\$ 3,135	\$ —	\$ 3,135
Total liabilities	\$ —	\$ 3,135	\$ —	\$ 3,135

Fair Value Measurements of Other Financial Instruments

The following table presents the carrying amounts and estimated fair values of our financial instruments that are not recorded at fair value on the consolidated balance sheets (in thousands):

	January 31, 2020		January 31, 2019	
	Net Carrying Amount	Estimated Fair Value	Net Carrying Amount	Estimated Fair Value
1.50% Convertible senior notes	\$ 244,319	\$ 571,057	\$ 232,514	\$ 557,074
0.25% Convertible senior notes	1,017,967	1,587,978	972,264	1,560,228

The carrying amounts of the Notes represent the liability components of the principal balances as of January 31, 2020, and 2019. The estimated fair values of the Notes, which we have classified as Level 2 financial instruments, were determined based on the quoted bid prices of the Notes in an over-the-counter market on the last trading day of fiscal 2020 and 2019. The if-converted values of the 2020 and 2022 Notes exceeded the principal amounts by \$315 million and \$293 million, respectively. The if-converted values were determined based on the closing price of our common stock of \$184.63 on January 31, 2020. For further information, see Note 11, Convertible Senior Notes, Net.

Note 5. Deferred Costs

Deferred costs, which consist of deferred sales commissions, were \$323 million and \$264 million as of January 31, 2020, and 2019, respectively. Amortization expense for the deferred costs was \$91 million, \$71 million, and \$58 million for fiscal 2020, 2019, and 2018, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

Note 6. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	January 31,	
	2020	2019
Land and land improvements	\$ 38,737	\$ 22,694
Buildings	489,028	433,863
Computers, equipment, and software	723,482	539,090
Furniture and fixtures	51,917	38,840
Leasehold improvements	189,668	162,657
Property and equipment, gross ⁽¹⁾	1,492,832	1,197,144
Less accumulated depreciation and amortization	(556,653)	(400,237)
Property and equipment, net	\$ 936,179	\$ 796,907

(1) Property and equipment, gross included construction-in-progress for owned real estate projects of \$3 million, and \$355 million that had not yet been placed in service as of January 31, 2020, and 2019, respectively. The decrease in construction-in-progress for owned real estate projects was due to the completion of our development center in the second quarter of fiscal 2020.

Depreciation expense totaled \$201 million, \$147 million, and \$115 million for fiscal 2020, 2019, and 2018, respectively. Interest costs capitalized to property and equipment totaled \$6 million, \$11 million, and \$8 million for fiscal 2020, 2019, and 2018, respectively.

Note 7. Business Combinations

Fiscal 2020

Scout Acquisition

On December 9, 2019, we acquired all outstanding stock of Scout RFP (“Scout”), a cloud-based platform for strategic sourcing and supplier engagement, for total purchase consideration of \$513 million, attributable to cash consideration of \$485 million and the fair value of a previously held equity interest of \$28 million. We believe the acquisition of Scout will accelerate our ability to deliver a comprehensive source-to-pay solution to our customers.

The purchase consideration was preliminarily allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. The fair values of assets acquired and liabilities assumed may change over the measurement period as additional information is received. The primary areas that are subject to change include income taxes payable and deferred taxes. The measurement period will end no later than one year from the acquisition date. The preliminary purchase consideration allocation was as follows (in thousands):

Acquisition-related intangible assets	\$ 63,400
Other assets acquired	37,087
Liabilities assumed	(16,907)
Total purchase consideration, inclusive of previously held equity interest	513,492
Estimated goodwill	\$ 429,912

The fair values and estimated useful lives of the acquired intangible assets by category are as follows (in thousands, except years):

	Estimated Fair Values	Estimated Useful Lives (in Years)
Trade name	\$ 400	1
Developed technology	28,000	5
Customer relationships	35,000	10
Total acquisition-related intangible assets	\$ 63,400	8

The goodwill recognized was primarily attributable to the assembled workforce and the expected synergies from integrating Scout's technology into our product portfolio. The goodwill is not deductible for U.S. federal income tax purposes.

We have included the financial results of Scout in our consolidated financial statements from the date of acquisition. Separate operating results and pro forma results of operations for Scout have not been presented as the effect of this acquisition was not material to our financial results.

Other Acquisitions

In the second quarter of fiscal 2020, acquisition activity resulted in an increase of \$4 million and \$9 million in acquired developed technology and goodwill, respectively.

Fiscal 2019

Adaptive Insights Acquisition

On August 1, 2018, we acquired all outstanding stock of Adaptive Insights for \$1.5 billion. The acquisition of Adaptive Insights, a cloud-based provider of business planning software, strengthens our product portfolio and helps enable our customers to better plan, execute, and analyze in one system.

The purchase consideration transferred consisted of the following (in thousands):

	Purchase Consideration
Cash paid to common and preferred stockholders, warrant holders, and vested option holders	\$ 1,408,422
Debt repaid by Workday on behalf of Adaptive Insights	53,696
Transaction costs paid by Workday on behalf of Adaptive Insights	23,375
Fair value of assumed Adaptive Insights awards attributable to pre-combination services ⁽¹⁾	5,424
Total purchase consideration	\$ 1,490,917

(1) The assumed awards were primarily options, which were valued based upon the Black-Scholes option-pricing model.

The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill as shown below.

The purchase consideration allocation, which includes measurement period adjustments, was as follows (in thousands):

Assets acquired:	
Cash and cash equivalents	\$ 37,892
Trade and other receivables, net	23,042
Prepaid expenses and other current assets and other assets	2,581
Property and equipment, net	2,246
Acquisition-related intangible assets	316,000
Total assets acquired	\$ 381,761
Liabilities assumed:	
Accounts payable	\$ 3,115
Accrued expenses and other current liabilities	9,396
Accrued compensation	13,545
Unearned revenue ⁽¹⁾	67,754
Other liabilities	1,919
Total liabilities assumed	95,729
Net assets acquired, excluding goodwill	286,032
Total purchase consideration	1,490,917
Goodwill	\$ 1,204,885

(1) The cost build-up method was used to determine the fair value of unearned revenue.

The goodwill recognized was primarily attributable to the value of the acquired workforce, the opportunity to expand our customer base, and the ability to add breadth and depth to our product portfolio by accelerating our financial planning roadmap. The goodwill is not deductible for U.S. federal income tax purposes.

The fair values and estimated useful lives of the acquired intangible assets by category are as follows (in thousands, except years):

	Estimated Fair Values	Estimated Useful Lives (in years)
Trade name	\$ 12,000	1.5
Developed technology	105,000	5
Customer relationships	188,000	9 - 10
Backlog	11,000	2
Total acquisition-related intangible assets	<u>\$ 316,000</u>	<u>8</u>

The fair values of the trade name and developed technology were determined utilizing the relief-from-royalty method, and the multi-period excess earnings method was utilized to fair value customer relationships and backlog. The valuation model inputs required the application of considerable judgment by management. The acquired finite-lived intangible assets have a total weighted-average amortization period of eight years. The weighted-average amortization period of customer relationships is ten years.

We have included the financial results of Adaptive Insights in our consolidated financial statements from the date of acquisition. One-time acquisition related transaction costs of \$25 million were expensed as incurred during fiscal 2019, and were recorded in general and administrative expense on our consolidated statements of operations.

The pro forma financial information shown below summarizes the combined results of operations for Workday and Adaptive Insights as if the closing of the acquisition had occurred on February 1, 2017, the first day of our fiscal year 2018. The pro forma financial information includes adjustments that are directly attributable to the business combination and are factually supportable. The adjustments primarily reflect the amortization of acquired intangible assets, share-based compensation expense for replacement awards, as well as the pro forma tax impact for such adjustments. The pro forma financial information reflects \$67 million of nonrecurring expenses related to acquisition costs and certain compensation expenses.

	Year Ended January 31,	
	2019	2018
	(in thousands, except per share data)	
Total revenues	\$ 2,886,057	\$ 2,228,917
Net loss	(425,604)	(529,404)
Net loss per share, basic and diluted	(1.96)	(2.55)

The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been realized if the acquisition had taken place on February 1, 2017.

Other Acquisitions

In the second quarter of fiscal 2019, we completed two acquisitions resulting in an increase of \$12 million and \$16 million in developed technology and goodwill, respectively.

Note 8. Acquisition-Related Intangible Assets, Net

Acquisition-related intangible assets, net consisted of the following (in thousands):

	January 31,	
	2020	2019
Developed technology	\$ 218,400	\$ 186,800
Customer relationships	224,000	189,000
Trade name	12,400	12,000
Backlog	11,000	11,000
Acquisition-related intangible assets, gross	465,800	398,800
Less accumulated amortization	(157,399)	(85,560)
Acquisition-related intangible assets, net	<u>\$ 308,401</u>	<u>\$ 313,240</u>

Amortization expense related to acquisition-related intangible assets was \$72 million, \$49 million, and \$19 million for fiscal 2020, 2019, and 2018, respectively.

As of January 31, 2020, our future estimated amortization expense related to acquisition-related intangible assets is as follows (in thousands):

Fiscal Period:		
2021	\$	59,775
2022		52,833
2023		50,109
2024		38,933
2025		27,500
Thereafter		79,251
Total	\$	308,401

Note 9. Other Assets

Other assets consisted of the following (in thousands):

	January 31,	
	2020	2019
Non-marketable equity and other investments	\$ 75,004	\$ 50,546
Technology patents and other intangible assets, net	17,898	20,335
Derivative assets	9,529	10,035
Deposits	6,335	4,383
Prepayments for third-party hosted infrastructure platforms	4,797	16,976
Net deferred tax assets	6,912	4,544
Other	24,130	40,541
Total	\$ 144,605	\$ 147,360

Technology patents and other intangible assets with estimable useful lives are amortized on a straight-line basis. As of January 31, 2020, the future estimated amortization expense is as follows (in thousands):

Fiscal Period:		
2021	\$	3,053
2022		2,620
2023		2,348
2024		2,040
2025		1,569
Thereafter		6,268
Total	\$	17,898

Note 10. Derivative Instruments

We conduct business on a global basis in multiple foreign currencies, subjecting Workday to foreign currency risk. To mitigate this risk, we utilize hedging contracts as described below. We do not enter into any derivatives for trading or speculative purposes.

Foreign Currency Forward Contracts Designated as Cash Flow Hedges

We are exposed to foreign currency fluctuations resulting from customer contracts denominated in foreign currencies. We have a hedging program in which we enter into foreign currency forward contracts related to certain customer contracts. We designate these forward contracts as cash flow hedging instruments since the accounting criteria for such designation have been met.

Foreign currency forward contracts designated as cash flow hedges are recorded on the consolidated balance sheets at fair value. Cash flows from such forward contracts are classified as operating activities. Gains or losses resulting from changes in the fair value of these hedges are recorded in AOCI on the consolidated balance sheets and will be subsequently reclassified to the related revenue line item on the consolidated statements of operations in the same period that the underlying revenues are earned. As of January 31, 2020, we estimate that \$16 million of net gains recorded in AOCI related to our foreign currency forward contracts designated as cash flow hedges will be reclassified into income within the next 12 months.

As of January 31, 2020, and 2019, we had outstanding foreign currency forward contracts designated as cash flow hedges with total notional values of \$908 million and \$717 million, respectively. All contracts have maturities not greater than 48 months. The notional value represents the amount that will be bought or sold upon maturity of the forward contract.

Foreign Currency Forward Contracts Not Designated as Hedges

We also enter into foreign currency forward contracts to hedge a portion of our net outstanding monetary assets and liabilities. These forward contracts are intended to offset the foreign currency gains or losses associated with the underlying monetary assets and liabilities and are recorded on the consolidated balance sheets at fair value. These forward contracts are not designated as hedging instruments under applicable accounting guidance, and therefore all changes in the fair value of these forward contracts are recorded in Other income (expense), net on the consolidated statements of operations. Cash flows from such forward contracts are classified as operating activities.

As of January 31, 2020, and 2019, we had outstanding forward contracts not designated as hedges with total notional values of \$246 million and \$198 million, respectively.

The fair values of outstanding derivative instruments were as follows (in thousands):

		January 31,	
		2020	2019
Consolidated Balance Sheets Location			
Derivative assets:			
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets	\$ 20,944	\$ 12,076
Foreign currency forward contracts designated as cash flow hedges	Other assets	9,529	10,015
Foreign currency forward contracts not designated as hedges	Prepaid expenses and other current assets	2,801	459
Foreign currency forward contracts not designated as hedges	Other assets	—	20
Total derivative assets		\$ 33,274	\$ 22,570
Derivative liabilities:			
Foreign currency forward contracts designated as cash flow hedges	Accrued expenses and other current liabilities	\$ 1,211	\$ 983
Foreign currency forward contracts designated as cash flow hedges	Other liabilities	1,809	706
Foreign currency forward contracts not designated as hedges	Accrued expenses and other current liabilities	976	1,446
Foreign currency forward contracts not designated as hedges	Other liabilities	—	—
Total derivative liabilities		\$ 3,996	\$ 3,135

The effect of foreign currency forward contracts designated as cash flow hedges on the consolidated statements of operations was as follows (in thousands):

	Consolidated Statements of Operations Location	Year Ended January 31, 2020
Total revenues	Revenues	\$ 3,627,206
Amount of gains (losses) related to foreign currency forward contracts designated as cash flow hedges	Revenues	6,142

Pre-tax gains (losses) associated with foreign currency forward contracts designated as cash flow hedges were as follows (in thousands):

	Consolidated Statements of Operations and Statements of Comprehensive Loss Locations	Year Ended January 31,		
		2020	2019	2018
Gains (losses) recognized in OCI	Net change in market value of effective foreign currency forward exchange contracts	\$ 31,842	\$ 44,079	\$ (45,869)
Gains (losses) reclassified from AOCI into income (effective portion)	Revenues	6,142	(7,012)	1,509
Gains (losses) recognized in income (amount excluded from effectiveness testing and ineffective portion) ⁽¹⁾	Other income (expense), net	—	13,868	1,607

- (1) Prior to the adoption of ASU No. 2017-12, the changes in value of these foreign currency forward contracts resulting from changes in forward points were excluded from the assessment of hedge effectiveness and were recorded as incurred in Other income (expense), net on the consolidated statements of operations. Upon adoption of ASU No. 2017-12, we elected to prospectively include changes in the value of these contracts resulting from changes in forward points in the assessment of hedge effectiveness. These changes are recorded in AOCI on the consolidated balance sheets and will be subsequently reclassified to the related revenue line item on the consolidated statements of operations in the same period that the underlying revenues are earned.

Gains (losses) associated with foreign currency forward contracts not designated as cash flow hedges were as follows (in thousands):

Derivative Type	Consolidated Statements of Operations Location	Year Ended January 31,		
		2020	2019	2018
Foreign currency forward contracts not designated as hedges	Other income (expense), net	\$ 3,671	\$ 4,706	\$ (5,641)

We are subject to master netting agreements with certain counterparties of the foreign exchange contracts, under which we are permitted to net settle transactions of the same currency with a single net amount payable by one party to the other. It is our policy to present the derivatives gross on the consolidated balance sheets. Our foreign currency forward contracts are not subject to any credit contingent features or collateral requirements. We manage our exposure to counterparty risk by entering into contracts with a diversified group of major financial institutions and by actively monitoring outstanding positions.

As of January 31, 2020, information related to these offsetting arrangements was as follows (in thousands):

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Consolidated Balance Sheets	Net Amounts of Assets Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Assets Exposed
				Financial Instruments	Cash Collateral Received	
Derivative assets:						
Counterparty A	\$ 782	\$ —	\$ 782	\$ (902)	\$ —	\$ (120)
Counterparty B	28,113	—	28,113	(1,078)	—	27,035
Counterparty C	4,379	—	4,379	(2,016)	—	2,363
Total	\$ 33,274	\$ —	\$ 33,274	\$ (3,996)	\$ —	\$ 29,278

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Consolidated Balance Sheets	Net Amounts of Liabilities Presented on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets		Net Liabilities Exposed
				Financial Instruments	Cash Collateral Pledged	
Derivative liabilities:						
Counterparty A	\$ 902	\$ —	\$ 902	\$ (902)	\$ —	\$ —
Counterparty B	1,078	—	1,078	(1,078)	—	—
Counterparty C	2,016	—	2,016	(2,016)	—	—
Total	<u>\$ 3,996</u>	<u>\$ —</u>	<u>\$ 3,996</u>	<u>\$ (3,996)</u>	<u>\$ —</u>	<u>\$ —</u>

Note 11. Convertible Senior Notes, Net

Convertible Senior Notes

In June 2013, we issued 0.75% convertible senior notes due July 15, 2018 with a principal amount of \$350 million. The 2018 Notes were unsecured, unsubordinated obligations, and interest was payable in cash in arrears at a fixed rate of 0.75% on January 15 and July 15 of each year. During fiscal 2019, the 2018 Notes were converted by note holders and we repaid the \$350 million principal balance in cash. We also distributed approximately 1.5 million shares of our Class A common stock to note holders during fiscal 2019, which represented the conversion value in excess of the principal amount.

In June 2013, we issued 1.50% convertible senior notes due July 15, 2020, with a principal amount of \$250 million. The 2020 Notes are unsecured, unsubordinated obligations, and interest is payable in cash in arrears at a fixed rate of 1.50% on January 15 and July 15 of each year. The 2020 Notes mature on July 15, 2020, unless repurchased or converted in accordance with their terms prior to such date. We cannot redeem the 2020 Notes prior to maturity.

In September 2017, we issued 0.25% convertible senior notes due October 1, 2022, with a principal amount of \$1.15 billion. The 2022 Notes are unsecured, unsubordinated obligations, and interest is payable in cash in arrears at a fixed rate of 0.25% on April 1 and October 1 of each year. The 2022 Notes mature on October 1, 2022, unless repurchased or converted in accordance with their terms prior to such date. We cannot redeem the 2022 Notes prior to maturity.

The terms of the Notes are governed by Indentures by and between us and Wells Fargo Bank, National Association, as Trustee (“Indentures”). Upon conversion, holders of the Notes will receive cash, shares of Class A common stock, or a combination of cash and shares of Class A common stock, at our election.

For the 2020 Notes, the initial conversion rate is 12.2340 shares of Class A common stock per \$1,000 principal amount, which is equal to an initial conversion price of approximately \$81.74 per share of Class A common stock, subject to adjustment. Prior to the close of business on March 13, 2020, conversion of the 2020 Notes is subject to the satisfaction of certain conditions, as described below. For the 2022 Notes, the initial conversion rate is 6.7982 shares of Class A common stock per \$1,000 principal amount, which is equal to an initial conversion price of approximately \$147.10 per share of Class A common stock, subject to adjustment. Prior to the close of business on May 31, 2022, conversion of the 2022 Notes is subject to the satisfaction of certain conditions, as described below.

Holders of the Notes who convert their Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indentures) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the Indentures), holders of the Notes may require us to repurchase all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest.

Holders of the 2020 Notes and 2022 Notes may convert all or a portion of their Notes prior to the close of business on March 13, 2020, and May 31, 2022, respectively, in multiples of \$1,000 principal amount, only under the following circumstances:

- if the last reported sale price of our Class A common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the respective Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the respective Notes for each day of that five day consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate of the respective Notes on such trading day; or
- upon the occurrence of specified corporate events, as noted in the Indentures.

On or after March 15, 2020, for the 2020 Notes, and June 1, 2022, for the 2022 Notes, holders of the respective Notes may convert their Notes at any time until the close of business on the second scheduled trading day immediately preceding the respective maturity date of their Notes.

In accounting for the issuance of the Notes, we separated each of the Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that do not have associated convertible features. The carrying amounts of the equity components representing the conversion option were determined by deducting the fair value of the liability components from the par value of the respective Notes. These differences represent debt discounts that are amortized to interest expense over the respective terms of the Notes using the effective interest rate method. The equity components are not remeasured as long as they continue to meet the conditions for equity classification.

In accounting for the issuance costs related to the Notes, we allocated the total amount of issuance costs incurred to liability and equity components based on their relative values. Issuance costs attributable to the liability components are being amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the respective terms of the Notes. The issuance costs attributable to the equity components were netted against the respective equity components in Additional paid-in capital. For the 2018 Notes, we recorded liability issuance costs of \$7 million and equity issuance costs of \$2 million. The 2018 Notes were converted and repaid during fiscal 2019. Accordingly, there was no related amortization expense for fiscal 2020. Amortization expense was less than \$1 million for fiscal 2019, and \$1 million for fiscal 2018. For the 2020 Notes, we recorded liability issuance costs of \$5 million and equity issuance costs of \$2 million. Amortization expense for the liability issuance costs was less than \$1 million for each of fiscal 2020, 2019, and 2018. For the 2022 Notes, we recorded liability issuance costs of \$14 million and equity issuance costs of \$4 million. Amortization expense for the liability issuance costs was \$3 million, \$3 million, and \$1 million for each of fiscal 2020, 2019, and 2018, respectively.

Our outstanding convertible senior notes consist of the following (in thousands):

	January 31, 2020		January 31, 2019	
	2020 Notes	2022 Notes	2020 Notes	2022 Notes
Principal amounts:				
Principal	\$ 249,945	\$ 1,150,000	\$ 249,975	\$ 1,150,000
Unamortized debt discount	(5,319)	(124,403)	(16,480)	(167,249)
Unamortized debt issuance costs	(307)	(7,630)	(981)	(10,487)
Net carrying amount of the liability component	<u>\$ 244,319</u>	<u>\$ 1,017,967</u>	<u>\$ 232,514</u>	<u>\$ 972,264</u>
Carrying amount of the equity component ⁽¹⁾	\$ 66,007	\$ 219,702	\$ 66,007	\$ 219,702

(1) Included on the consolidated balance sheets within Additional paid-in capital, net of \$2 million and \$4 million in equity issuance costs for the 2020 Notes and 2022 Notes, respectively.

As of January 31, 2020, the 2020 Notes and 2022 Notes have remaining lives of approximately 5 months and 32 months, respectively.

For more than 20 trading days during the 30 consecutive trading days ended January 31, 2020, and 2019, the last reported sale price of our Class A common stock exceeded 130% of the conversion price of the 2020 Notes. As a result, the 2020 Notes were convertible at the option of the holders during the first quarter of fiscal 2020, and continue to be convertible at the option of the holders during the first quarter of fiscal 2021. Accordingly, the 2020 Notes are classified as current on the consolidated balance sheets as of January 31, 2020, and 2019. As of the date of this filing, the total amount of the principal balance of the 2020 Notes that has been converted or for which conversion has been requested was not material.

The 2022 Notes are classified as noncurrent on the consolidated balance sheets as of January 31, 2020, and 2019, since the criteria for conversion was not met.

The effective interest rates of the liability components of the 2018 Notes, 2020 Notes, and 2022 Notes are 5.75%, 6.25%, and 4.60%, respectively. These interest rates were based on the interest rates of similar liabilities at the time of issuance that did not have associated convertible features. The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Year Ended January 31,							
	2020		2019			2018		
	2020 Notes	2022 Notes	2018 Notes	2020 Notes	2022 Notes	2018 Notes	2020 Notes	2022 Notes
Contractual interest expense	\$ 3,749	\$ 2,875	\$ 1,196	\$ 3,750	\$ 2,875	\$ 2,625	\$ 3,750	\$ 1,086
Interest cost related to amortization of debt issuance costs	674	2,857	641	673	2,858	1,409	673	1,080
Interest cost related to amortization of the debt discount	11,161	42,846	7,850	10,488	40,939	16,530	9,852	14,989

Interest costs capitalized to property and equipment totaled \$6 million, \$11 million, and \$8 million for fiscal 2020, 2019, and 2018, respectively.

Notes Hedges

In connection with the issuance of the Notes, we entered into convertible note hedge transactions with respect to our Class A common stock ("Purchased Options"). The Purchased Options are intended to offset potential economic dilution to our Class A common stock upon any conversion of the Notes. The Purchased Options are separate transactions and are not part of the terms of the Notes.

We paid an aggregate amount of \$144 million for the Purchased Options relating to the 2018 Notes and 2020 Notes, and \$176 million for the Purchased Options relating to the 2022 Notes. The amount paid for the Purchased Options is included in Additional paid-in capital on the consolidated balance sheets.

The Purchased Options relating to the 2018 Notes gave us the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2018 Notes, approximately 4.2 million shares of our Class A common stock for \$83.28 per share, exercisable upon conversion of the 2018 Notes. During the second quarter of fiscal 2019, we received approximately 1.5 million shares of our Class A common stock from the exercise of the Purchased Options relating to the 2018 Notes. These shares were recorded as treasury stock.

The Purchased Options relating to the 2020 Notes give us the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2020 Notes, approximately 3.1 million shares of our Class A common stock for \$81.74 per share, exercisable upon conversion of the 2020 Notes. The Purchased Options relating to the 2022 Notes give us the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2022 Notes, approximately 7.8 million shares of our Class A common stock for \$147.10 per share, exercisable upon conversion of the 2022 Notes. The Purchased Options will expire in 2020 for the 2020 Notes and in 2022 for the 2022 Notes, if not exercised earlier.

Warrants

In connection with the issuance of the Notes, we also entered into warrant transactions to sell warrants ("Warrants") to acquire, subject to anti-dilution adjustments, up to approximately 4.2 million shares over 60 scheduled trading days beginning in October 2018, 3.1 million shares over 60 scheduled trading days beginning in October 2020, and 7.8 million shares over 60 scheduled trading days beginning in January 2023 of our Class A common stock at an exercise price of \$107.96, \$107.96, and \$213.96 per share, respectively. If the Warrants are not exercised on their exercise dates, they will expire. If the market value per share of our Class A common stock exceeds the applicable exercise price of the Warrants, the Warrants will have a dilutive effect on our earnings per share assuming that we are profitable. The Warrants are separate transactions and are not part of the terms of the Notes or the Purchased Options.

We received aggregate proceeds of \$93 million from the sale of the Warrants related to the 2018 Notes and the 2020 Notes, and \$81 million from the sale of the Warrants related to the 2022 Notes. The proceeds from the sale of the Warrants are recorded in Additional paid-in capital on the consolidated balance sheets.

During fiscal 2019, Warrants related to the 2018 Notes were exercised, and we distributed approximately 1.1 million shares of our Class A common stock to warrant holders primarily utilizing treasury stock. Accordingly, no Warrants remain outstanding related to the 2018 Notes. The number of net shares distributed was determined based on the number of Warrants exercised multiplied by the difference between the exercise price of the Warrants and their daily volume weighted-average stock price.

Note 12. Leases

We have entered into operating lease agreements for our office space, data centers, and other property and equipment. As of January 31, 2020, total operating lease right-of-use assets and operating lease liabilities were approximately \$291 million and \$308 million, respectively. We have also entered into finance lease agreements for other property and equipment. As of January 31, 2020, finance leases were not material.

The components of operating lease expense were as follows (in thousands):

	Year Ended January 31, 2020
Operating lease cost	\$ 85,154
Short-term lease cost	16,260
Variable lease cost	17,845
Total operating lease cost	\$ 119,259

Prior to the adoption of ASU No. 2016-02 in the first quarter of fiscal 2020, we generally recognized rent expense on a straight-line basis over the period in which we benefited from the lease. Total rent expense associated with operating leases was \$99 million and \$82 million for fiscal 2019, and 2018, respectively.

Information related to our operating lease right-of-use assets and operating lease liabilities was as follows (in thousands, except periods and percentages):

	Year Ended January 31, 2020
Cash paid for operating lease liabilities	\$ 75,029
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities ⁽¹⁾	365,305
	Year Ended January 31, 2020
Weighted average remaining lease term (in years)	6
Weighted average discount rate	3.36%

(1) Includes \$279 million for operating leases existing on February 1, 2019, and \$86 million for operating leases that commenced during the fiscal year ended January 31, 2020.

As of January 31, 2020, maturities of operating lease liabilities were as follows (in thousands):

Fiscal period:	
2021	\$ 75,003
2022	72,938
2023	62,216
2024	53,064
2025	38,614
Thereafter	45,980
Total lease payments	347,815
Less imputed interest	(40,243)
Total	\$ 307,572

As of January 31, 2020, we have additional operating leases, primarily for office space, that have not yet commenced with total undiscounted lease payments of \$37 million. These operating leases will commence in fiscal 2021, with lease terms ranging from one to ten years.

Related-Party Lease Transactions

We lease certain office space from an affiliate of our Chairman, Mr. Duffield, adjacent to our corporate headquarters in Pleasanton, California, under various lease agreements. As of January 31, 2020, the operating lease right-of-use assets and operating lease liabilities related to these agreements were \$57 million and \$70 million, respectively. The weighted average remaining lease term of these agreements is five years. The total rent expense under these agreements was \$13 million, \$11 million, and \$8 million for fiscal 2020, 2019, and 2018, respectively.

Note 13. Commitments and Contingencies***Third-Party Hosted Infrastructure Platform-Related Commitments***

We have entered into non-cancelable agreements with third-party hosted infrastructure platform vendors with various expiration dates. In June 2019, we entered into a \$500 million agreement for the use of cloud services that superseded a previous agreement and expires in June 2025.

As of January 31, 2020, future non-cancelable minimum payments for third-party hosted infrastructure platforms are as follows (in thousands):

	Third-Party Hosted Infrastructure Platforms
2021	\$ 40,375
2022	40,000
2023	40,000
2024	40,000
2025	40,000
Thereafter	272,084
Total	\$ 472,459

Legal Matters

We are a party to various legal proceedings and claims that arise in the ordinary course of business. We make a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. In our opinion, as of January 31, 2020, there was not at least a reasonable possibility that we had incurred a material loss, or a material loss in excess of a recorded accrual, with respect to such loss contingencies.

Note 14. Stockholders' Equity***Common Stock***

As of January 31, 2020, there were 170 million shares of Class A common stock and 62 million shares of Class B common stock outstanding. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock can be converted into a share of Class A common stock at any time at the option of the holder. All of our Class A and Class B shares will convert to a single class of common stock upon the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A common stock and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, and (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock.

Employee Equity Plans

Our 2012 Equity Incentive Plan ("EIP") serves as the successor to our 2005 Stock Plan (together with the EIP, the "Stock Plans"). Pursuant to the terms of the EIP, the share reserve increased by 11 million shares in March 2019. As of January 31, 2020, we had approximately 71 million shares of Class A common stock available for future grants.

In connection with the acquisition of Adaptive Insights, we assumed unvested awards that had been granted under the Adaptive Insights, Inc. 2013 Equity Incentive Plan.

We also have a 2012 Employee Stock Purchase Plan. Under the ESPP, eligible employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly on or about June 1, and December 1, and exercisable on or about the succeeding November 30, and May 31, respectively, of each year. As of January 31, 2020, approximately 5 million shares of Class A common stock were available for issuance under the ESPP.

Restricted Stock Units

The Stock Plans provide for the issuance of RSUs to employees and non-employees. RSUs generally vest over four years. A summary of information related to RSU activity during fiscal 2020, is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Balance as of January 31, 2019	13,013,289	\$ 108.12
RSUs granted	5,918,077	187.89
RSUs vested	(6,074,429)	104.64
RSUs forfeited	(942,873)	127.83
Balance as of January 31, 2020	11,914,064	147.96

The weighted-average grant date fair value of RSUs granted during fiscal 2020, 2019, and 2018 was \$187.89, \$129.62, and \$88.90, respectively. The total fair value of RSUs vested as of the vesting dates during fiscal 2020, 2019, and 2018 was \$1.2 billion, \$801 million, and \$528 million, respectively.

As of January 31, 2020, there was a total of \$1.6 billion in unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately three years.

Performance-Based Restricted Stock Units

During fiscal 2019, 0.5 million shares of performance-based restricted stock units were granted to all employees other than executive management that included both service conditions and performance conditions related to company-wide goals. These performance conditions were met and the PRSUs vested on March 15, 2019. During fiscal 2020, we recognized \$15 million in compensation cost related to these PRSUs.

Additionally, during fiscal 2020, 0.6 million shares of PRSUs were granted to all employees other than executive management that included both service conditions and performance conditions related to company-wide goals. These performance conditions were met and the PRSU awards will vest if the individual employee continues to provide service through the vesting date of March 15, 2020. During fiscal 2020, we recognized \$97 million in compensation cost related to these PRSUs, and as of January 31, 2020, there was a total of \$21 million in unrecognized compensation cost which is expected to be recognized over a weighted-average period of approximately two months.

Stock Options

The Stock Plans provide for the issuance of incentive and nonstatutory stock options to employees and non-employees. Stock options issued under the Stock Plans generally are exercisable for periods not to exceed ten years and generally vest over five years. A summary of information related to stock option activity during fiscal 2020, is as follows (in millions, except share and per share data):

	Outstanding Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance as of January 31, 2019	5,780,742	\$ 7.96	\$ 1,003
Stock options exercised	(2,298,649)	4.95	
Stock options canceled	(46,516)	22.34	
Balance as of January 31, 2020	3,435,577	9.78	601
Vested and expected to vest as of January 31, 2020	3,413,967	9.62	597
Exercisable as of January 31, 2020	3,042,269	7.13	540

The total grant date fair value of stock options vested during fiscal 2020, 2019, and 2018 was \$37 million, \$29 million, and \$5 million, respectively. The total intrinsic value of stock options exercised during fiscal 2020, 2019, and 2018 was \$407 million, \$261 million, and \$234 million, respectively. The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of vested and expected to vest stock options as of January 31, 2020, is approximately three years.

As of January 31, 2020, there was a total of \$34 million in unrecognized compensation cost related to unvested assumed stock options, which is expected to be recognized over a weighted-average period of approximately two years.

The stock options that are exercisable as of January 31, 2020, have a weighted-average remaining contractual life of approximately two years. The weighted-average remaining contractual life of outstanding stock options as of January 31, 2020, is approximately three years.

No stock options were assumed during fiscal 2020. The weighted-average grant date fair value of stock options assumed during fiscal 2019, was \$100.69. The fair value of stock options assumed was estimated using the following assumptions:

	Year Ended January 31, 2019
Expected volatility	31.5% - 34.3%
Expected term (in years)	0.03 - 2.42
Risk-free interest rate	2.10% - 2.72%
Dividend yield	—%

There were no stock options granted during fiscal 2020, 2019, and 2018.

Employee Stock Purchase Plan

For fiscal 2020, approximately 1 million shares of Class A common shares were purchased under the ESPP at a weighted-average price of \$147.51 per share, resulting in cash proceeds of \$114 million.

The fair value of stock purchase rights granted under the ESPP was estimated using the following assumptions:

	Year Ended January 31,		
	2020	2019	2018
Expected volatility	36.9% - 41.7%	30.9% - 41.7%	25.3% - 32.0%
Expected term (in years)	0.5	0.5	0.5
Risk-free interest rate	1.62% - 2.50%	2.09% - 2.50%	1.11% - 1.45%
Dividend yield	—%	—%	—%
Grant date fair value per share	\$167.80 - \$191.88	\$126.29 - \$167.80	\$98.39 - \$100.52

Note 15. Unearned Revenue and Performance Obligations

\$1.8 billion, \$1.4 billion, and \$1.0 billion of subscription services revenue was recognized during fiscal 2020, 2019, and 2018, respectively, that was included in the unearned revenue balances at the beginning of the respective periods. Professional services revenue recognized in the same periods from unearned revenue balances at the beginning of the respective periods was not material.

Transaction Price Allocated to the Remaining Performance Obligations

As of January 31, 2020, approximately \$8.29 billion of revenue is expected to be recognized from remaining performance obligations for subscription contracts. We expect to recognize revenue on approximately \$5.48 billion of these remaining performance obligations over the next 24 months, with the balance recognized thereafter. Revenue from remaining performance obligations for professional services contracts as of January 31, 2020, was not material.

Note 16. Other Income (Expense), Net

Other income (expense), net consisted of the following (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Interest income	\$ 41,268	\$ 42,461	\$ 25,252
Interest expense ⁽¹⁾	(58,685)	(60,209)	(44,549)
Other ⁽²⁾	37,200	57,280	7,734
Other income (expense), net	\$ 19,783	\$ 39,532	\$ (11,563)

(1) Interest expense includes the contractual interest expense of the Notes, and related non-cash interest expense attributable to amortization of the related debt discount and debt issuance costs, net of capitalized interest costs. For further information, see Note 11, Convertible Senior Notes, Net.

(2) Other includes the net gains (losses) from our equity investments. For further information, see Note 3, Investments.

Note 17. Income Taxes

The components of loss before provision for (benefit from) income taxes were as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Domestic	\$ (256,772)	\$ (263,505)	\$ (85,167)
Foreign	(225,675)	(160,247)	(229,619)
Total	<u>\$ (482,447)</u>	<u>\$ (423,752)</u>	<u>\$ (314,786)</u>

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Current:			
Federal	\$ —	\$ —	\$ —
State	438	270	177
Foreign	7,707	6,596	4,251
Total	<u>8,145</u>	<u>6,866</u>	<u>4,428</u>
Deferred:			
Federal	(1,258)	(760)	(535)
State	(2,014)	(2,446)	(100)
Foreign	(6,646)	(9,154)	2,643
Total	<u>(9,918)</u>	<u>(12,360)</u>	<u>2,008</u>
Provision for (benefit from) income taxes	<u>\$ (1,773)</u>	<u>\$ (5,494)</u>	<u>\$ 6,436</u>

The items accounting for the difference between income taxes computed at the federal statutory income tax rate and the provision for (benefit from) income taxes consisted of the following:

	Year Ended January 31,		
	2020	2019	2018
Federal statutory rate	21.0 %	21.0 %	33.8 %
Effect of:			
Foreign income at other than U.S. rates	(10.7)%	(8.9)%	(26.9)%
Intercompany transactions	4.6 %	3.7 %	10.2 %
Research tax credits	13.1 %	12.6 %	9.1 %
State taxes, net of federal benefit	(0.1)%	(0.1)%	— %
U.S. corporate tax rate reduction	— %	— %	(81.3)%
Changes in valuation allowance	(48.3)%	(39.7)%	33.4 %
Stock compensation	21.6 %	12.7 %	20.0 %
Other	(0.8)%	— %	(0.4)%
	<u>0.4 %</u>	<u>1.3 %</u>	<u>(2.1)%</u>

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which allowed companies to record provisional amounts for the Tax Act during a measurement period not to extend beyond one year from the enactment date. We completed our analysis in fiscal 2019, recording no adjustments.

As a result of our history of net operating losses, the current provision for income taxes primarily relates to state income taxes and the current foreign provision from our profitable foreign entities. The benefit from domestic deferred federal and state income tax primarily relates to the release of the valuation allowance for certain intangibles from fiscal 2020, business acquisitions, where the balance for financial reporting exceeded the tax basis. The foreign deferred income tax benefit primarily relates to the application of intra-period tax allocation rules for the gains from other comprehensive income and the excess tax benefit in certain foreign jurisdictions from share-based compensation.

Significant components of our deferred tax assets and liabilities were as follows (in thousands):

	January 31,	
	2020	2019
Deferred tax assets:		
Unearned revenue	\$ 20,613	\$ 22,494
Other reserves and accruals	20,691	24,365
Federal net operating loss carryforwards	746,020	602,310
State net operating loss and foreign tax attributes carryforwards	371,233	232,815
Property and equipment	11,235	6,939
Share-based compensation	72,055	53,295
Research and development credits	243,617	183,323
Intangibles	488,626	516,416
Operating lease liabilities	73,563	—
Other	12,360	3,268
	2,060,013	1,645,225
Valuation allowance	(1,903,837)	(1,563,825)
Deferred tax assets, net of valuation allowance	156,176	81,400
Deferred tax liabilities:		
Intercompany transactions	(19,609)	(30,900)
Other prepaid assets	(1,364)	(466)
Deferred commissions	(61,459)	(47,165)
Operating lease right-of-use assets	(67,775)	—
	(150,207)	(78,531)
Net deferred tax assets	\$ 5,969	\$ 2,869

We regularly assess the need for a valuation allowance against our deferred tax assets by considering both positive and negative evidence related to whether it is more likely than not that our deferred tax assets will be realized. In evaluating the need for a valuation allowance, we consider the cumulative losses in recent years as a significant piece of negative evidence that is generally difficult to overcome. As of January 31, 2020, we continue to maintain a full valuation allowance against our U.S. federal, state, and certain foreign jurisdiction deferred tax assets.

As of January 31, 2020, we recorded a valuation allowance of \$1.9 billion for the portion of the deferred tax assets that we do not expect to be realized. The valuation allowance on our net deferred tax assets increased by \$340 million and \$939 million during fiscal 2020 and 2019, respectively. The increase in the valuation allowance during fiscal 2020, is mainly due to an increase in deferred tax assets on our net operating losses and research and development credits during the fiscal year.

As of January 31, 2020, we had approximately \$3.4 billion of federal, \$2.3 billion of state, and \$1.5 billion of foreign net operating loss and other tax attributes carryforwards available to offset future taxable income. If not utilized, the pre-fiscal 2018 federal and the state net operating loss carryforwards expire in varying amounts between fiscal 2021, and 2040. The federal net operating losses generated in and after fiscal 2018 and the foreign net operating losses and other tax attributes do not expire and may be carried forward indefinitely.

We also had approximately \$163 million of federal and \$160 million of California research and development tax credit carryforwards as of January 31, 2020. The federal credits expire in varying amounts between fiscal 2021, and 2040. The California research credits do not expire and may be carried forward indefinitely.

Our ability to utilize the net operating loss and tax credit carryforwards in the future may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code of 1986, as amended, and similar state tax law.

We intend to permanently reinvest any future earnings in our foreign operations unless such earnings are subject to U.S. federal income taxes. As of January 31, 2020, we estimate any such hypothetical foreign withholding tax expense to be immaterial to our financial statements.

A reconciliation of the gross unrecognized tax benefit is as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
Unrecognized tax benefits at the beginning of the period	\$ 130,771	\$ 107,849	\$ 116,801
Additions for tax positions taken in prior years	309	10,586	1,500
Reductions for tax positions taken in prior years	—	—	(8,121)
Decrease for tax positions taken in prior years due to federal rate reduction	—	—	(10,062)
Additions for tax positions related to the current year	13,109	12,336	7,731
Reductions related to a lapse of applicable statute of limitations	(568)	—	—
Unrecognized tax benefits at the end of the period	\$ 143,621	\$ 130,771	\$ 107,849

Our policy is to include interest and penalties related to unrecognized tax benefits within our provision for income taxes. We did not accrue any interest expense or penalties during fiscal 2020, 2019, or 2018.

Of the total amount of unrecognized tax benefits of \$144 million, \$1 million, if recognized, would impact the effective tax rate, as of January 31, 2020.

We file federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. Due to our net operating loss carryforwards, our income tax returns generally remain subject to examination by federal and most state and foreign tax authorities.

On December 1, 2015, the United States Tax Court (“Tax Court”) issued its final decision with respect to Altera Corporation’s litigation with the Internal Revenue Service (“IRS”). The litigation related to the treatment of share-based compensation expense in an inter-company cost-sharing arrangement with the taxpayer’s foreign subsidiary for fiscal 2004 through 2007. In its final decision, the Tax Court accepted Altera’s position of excluding share-based compensation in its cost sharing arrangement and concluded that the related IRS Regulations were invalid. Subsequent to the decision, the IRS filed an appeal on February 23, 2016. On June 7, 2019, the U.S. Tax Court of Appeals of the Ninth Circuit (“Ninth Circuit”) reversed the United States Tax Court decision and on November 11, 2019, the Ninth Circuit released a court order denying an en banc rehearing of the case following Altera’s petition filed on July 22, 2019. Altera submitted a petition for writ of certiorari to the U.S. Supreme Court on February 10, 2020. Based on the facts and circumstances of the Tax Court Case, we believe that it is more likely than not that the decision will be upheld. We have therefore recorded the effects of the decision and determined that there was no material impact to our effective tax rate and income tax expense due to our current full valuation allowance position. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Note 18. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including our outstanding stock options, outstanding warrants, common stock related to unvested early exercised stock options, common stock related to unvested RSUs and PRSUs, common stock related to convertible senior notes to the extent dilutive, and common stock issuable pursuant to the ESPP. Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The net loss per share attributable to common stockholders is allocated based on the contractual participation rights of the Class A common shares and Class B common shares as if the loss for the year had been distributed. As the liquidation and dividend rights are identical, the net loss attributable to common stockholders is allocated on a proportionate basis.

The following table presents the calculation of basic and diluted net loss attributable to common stockholders per share (in thousands, except per share data):

	Year Ended January 31,					
	2020		2019		2018	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic and diluted net loss attributable to Class A and Class B common stockholders per share:						
Numerator:						
Allocation of distributed net loss attributable to common stockholders	\$ (345,958)	\$ (134,716)	\$ (287,021)	\$ (131,237)	\$ (208,159)	\$ (113,063)
Denominator:						
Weighted-average common shares outstanding	163,513	63,672	148,767	68,022	134,642	73,132
Basic and diluted net loss per share	\$ (2.12)	\$ (2.12)	\$ (1.93)	\$ (1.93)	\$ (1.55)	\$ (1.55)

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows (in thousands):

	January 31,		
	2020	2019	2018
Outstanding common stock options	3,436	5,781	6,595
Unvested restricted stock awards, units, and PRSUs	12,530	13,551	13,209
Shares related to the convertible senior notes	10,876	10,876	15,079
Shares subject to warrants related to the issuance of convertible senior notes	10,876	10,876	15,079
Shares issuable pursuant to the ESPP	491	402	466
Total	38,209	41,486	50,428

Note 19. Geographic Information

Disaggregation of Revenue

We sell our subscription contracts and related services in two primary geographical markets: to customers located in the United States and to customers located outside of the United States. Revenue by geography is generally based on the address of the customer as specified in our master subscription agreement. The following table sets forth revenue by geographic area (in thousands):

	Year Ended January 31,		
	2020	2019	2018
United States	\$ 2,741,427	\$ 2,173,346	\$ 1,694,347
Other countries	885,779	648,834	448,703
Total	\$ 3,627,206	\$ 2,822,180	\$ 2,143,050

Long-Lived Assets

We attribute our long-lived assets, which primarily consist of property and equipment and operating lease right-of-use assets, to a country based on the physical location of the assets. Aggregate property and equipment, net and operating lease right-of-use assets by geographic area is as follows (in thousands):

	January 31,	
	2020	2019
United States	\$ 1,064,292	\$ 726,801
Ireland	122,619	55,306
Other countries	40,170	14,800
Total	<u>\$ 1,227,081</u>	<u>\$ 796,907</u>

Note 20. 401(k) Plan

We have a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. We match a certain portion of employee contributions up to a fixed maximum per employee. Our contributions to the plan were \$36 million, \$28 million, and \$15 million in fiscal 2020, 2019, and 2018, respectively.

Note 21. Selected Quarterly Financial Data (unaudited)

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in fiscal 2020 and 2019 (in thousands, except per share data):

	Quarter ended							
	1/31/2020	10/31/2019	7/31/2019	4/30/2019	1/31/2019	10/31/2018	7/31/2018	4/30/2018
Consolidated Statements of Operations Data:								
Total revenues	\$ 976,299	\$ 938,100	\$ 887,752	\$ 825,055	\$ 788,628	\$ 743,189	\$ 671,720	\$ 618,643
Operating loss	(146,097)	(110,250)	(122,497)	(123,386)	(120,283)	(182,755)	(88,982)	(71,264)
Net loss	(127,958)	(115,729)	(120,712)	(116,275)	(104,361)	(153,331)	(86,156)	(74,410)
Net loss per share, basic and diluted	(0.56)	(0.51)	(0.53)	(0.52)	(0.47)	(0.70)	(0.40)	(0.35)

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of January 31, 2020, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K, and is incorporated herein by reference.

(c) Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the fourth quarter of fiscal 2020, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(d) Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

See Management's Report on Internal Control over Financial Reporting above and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information concerning our directors, our Audit Committee, and any changes to the process by which stockholders may recommend nominees to the Board required by this Item are incorporated herein by reference to information contained in the Proxy Statement, including “Proposal No. 1: Election of Directors” and “Directors and Corporate Governance.”

The information concerning our executive officers required by this Item is incorporated herein by reference to information contained in the Proxy Statement including “Executive Officers and Other Executive Management.”

With regard to the information required by this Item regarding compliance with Section 16(a) of the Exchange Act, we will provide disclosure of delinquent Section 16(a) reports, if any, in our Proxy Statement related to the 2020 Annual Meeting of Stockholders, and such disclosure, if any, is incorporated herein by reference.

We have adopted a code of ethics, our Code of Conduct, which applies to all employees, including our principal executive officer, our principal financial officer, and all other executive officers. The Code of Conduct is available on our website at www.workday.com/codeofconduct. A copy may also be obtained without charge by contacting Investor Relations, Workday, Inc., 6110 Stoneridge Mall Road, Pleasanton, California 94588 or by calling (925) 951-9000.

We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Directors and Corporate Governance” and “Executive Compensation.”

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

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Directors and Corporate Governance,” “Related Party Transactions,” and “Employment Arrangements and Indemnification Agreements.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, or not present in amounts sufficient to require submission of the schedule.

3. Exhibits

Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exhibit No.	
2.1+	Agreement and Plan of Merger dated June 11, 2018, as amended on July 31, 2018	8-K	001-35680	August 1, 2018	2.1	
3.1	Restated Certificate of Incorporation of the Registrant	10-Q	001-35680	December 7, 2012	3.1	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-35680	June 5, 2015	3.1	
4.1	Form of Registrant's Class A common stock certificate	S-1/A	333-183640	October 1, 2012	4.1	
4.2	Form of Registrant's Class B common stock certificate	S-8	333-184395	October 12, 2012	4.9	
4.3	Description of Securities					X
4.4	2020 Indenture dated June 17, 2013 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	June 17, 2013	4.2	
4.5	2022 Indenture dated September 15, 2017 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	September 15, 2017	4.1	
4.6	Supplemental Indenture to the 2020 Indenture dated January 2, 2018 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	January 2, 2018	4.3	
4.7	Supplemental Indenture to the 2022 Indenture dated January 2, 2018 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	January 2, 2018	4.4	
4.8	Second Supplemental Indenture to the 2020 Indenture dated April 27, 2018 between Workday, Inc. and Wells Fargo Bank, National Association	10-Q	001-35680	June 1, 2018	4.1	
10.1	Form of Indemnification Agreement	S-1	333-183640	August 30, 2012	10.1	
10.2†	2005 Stock Plan, as amended	10-Q	001-35680	June 5, 2013	10.12	
10.3†	2012 Equity Incentive Plan, as amended	DEF 14A	001-35680	April 27, 2018	Annex A	
10.4†	2012 Equity Incentive Plan Forms of Award Agreements, as amended					X
10.5†	2012 Employee Stock Purchase Plan, as amended	10-Q	001-35680	December 3, 2018	10.1	
10.6†	Adaptive Insights, Inc. 2013 Equity Incentive Plan	S-8	333-226907	August 17, 2018	99.1	

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10.7†	Adaptive Insights, Inc. 2013 Equity Incentive Plan Forms of Award Agreements	S-8	333-226907	August 17, 2018	99.2	
10.8†	Offer Letter between James J. Bozzini and the Registrant dated December 4, 2006	10-K	001-35680	March 31, 2014	10.9	
10.9†	Offer Letter between Robynne Sisco and the Registrant dated August 23, 2012	10-Q	001-35680	June 1, 2016	10.11	
10.10†	Offer Letter between Luciano Fernandez Gomez and the Registrant dated December 12, 2013 and related employment arrangements	10-K	001-35680	March 18, 2019	10.11	
10.11†	Offer Letter between Richard Sauer and the Registrant dated April 6, 2019					X
10.12	Office Lease Agreement, dated September 18, 2008, between Registrant and 6200 Stoneridge Mall Road Investors, LLC	S-1	333-183640	August 30, 2012	10.8	
10.13	Restated and Amended Pleasanton Ground Lease by and between San Francisco Bay Area Rapid Transit District and CREA/Windstar Pleasanton, LLC and related assignment agreement dated January 30, 2014	10-K	001-35680	March 31, 2014	10.11	
10.14	Stock Restriction Agreement, by and among the Registrant, David A. Duffield and Aneel Bhusri	S-1/A	333-183640	October 1, 2012	10.11	
10.15	Form of Convertible Bond Hedge Confirmation (2020)	8-K	001-35680	June 17, 2013	99.3	
10.16	Form of Warrant Confirmation (2020)	8-K	001-35680	June 17, 2013	99.4	
10.17	Form of Additional Convertible Bond Hedge Confirmation (2020)	8-K	001-35680	June 24, 2013	99.3	
10.18	Form of Additional Warrant Confirmation (2020)	8-K	001-35680	June 24, 2013	99.4	
10.19	Form of Convertible Bond Hedge Confirmation (2022)	8-K	001-35680	September 15, 2017	99.1	
10.20	Form of Warrant Confirmation (2022)	8-K	001-35680	September 15, 2017	99.2	
10.21	Form of Additional Convertible Bond Hedge Confirmation (2022)	8-K	001-35680	September 15, 2017	99.3	
10.22	Form of Additional Warrant Confirmation (2022)	8-K	001-35680	September 15, 2017	99.4	
21.1	List of Subsidiaries of the Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)					X
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X

32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101.INS	XBRL Instance Document - Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X
+	The Company has omitted schedules and similar attachments to the merger agreement pursuant to Item 601(b) of Regulation S-K. The Company will furnish a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.	
†	Indicates a management contract or compensatory plan.	
*	These exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Workday, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.	

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pleasanton, State of California, on this 3rd day of March, 2020.

WORKDAY, INC.

/s/ Robynne D. Sisco

Robynne D. Sisco
Co-President and Chief Financial Officer (Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robynne D. Sisco or Richard H. Sauer, or any of them, his or her attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

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 dates indicated.

Signature	Title	Date
/s/ Aneel Bhusri	Chief Executive Officer	March 3, 2020
Aneel Bhusri	<i>(Principal Executive Officer)</i>	
/s/ Robynne D. Sisco	Co-President and Chief Financial Officer	March 3, 2020
Robynne D. Sisco	<i>(Principal Financial and Accounting Officer)</i>	
/s/ Ann-Marie Campbell	Director	March 3, 2020
Ann-Marie Campbell		
/s/ Christa Davies	Director	March 3, 2020
Christa Davies		
/s/ David A. Duffield	Director	March 3, 2020
David A. Duffield		
/s/ Carl M. Eschenbach	Director	March 3, 2020
Carl M. Eschenbach		
/s/ Michael M. McNamara	Director	March 3, 2020
Michael M. McNamara		
/s/ Michael A. Stankey	Director	March 3, 2020
Michael A. Stankey		
/s/ George J. Still, Jr.	Director	March 3, 2020
George J. Still, Jr.		
/s/ Lee J. Styslinger III	Director	March 3, 2020
Lee J. Styslinger III		
/s/ Jerry Yang	Director	March 3, 2020
Jerry Yang		

WORKDAY, INC.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, Workday, Inc. (the "Workday," "we" or "our") had one class of securities registered under Section 12 of the Securities Exchange Act of 1934: our Class A common stock.

Description of Securities

The following description of our Class A Common Stock and Class B Common Stock (collectively, our "**Common Stock**") summarizes the material terms and provisions but does not purport to be complete. This summary is subject to and qualified by the provisions of our Restated Certificate of Incorporation and our Restated Bylaws, as each may be amended from time to time and filed as exhibits to our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, copies of which are incorporated herein by reference. Additionally, the Delaware General Corporation Law, as amended ("**DGCL**"), also affects the terms of our capital stock.

Capital Stock

Our authorized capital stock consists of 1,000,000,000 shares, each with a par value of \$0.001 per share, of which:

- 750,000,000 shares are designated as Class A Common Stock;
- 240,000,000 shares are designated as Class B Common Stock; and
- 10,000,000 shares are designated as preferred stock.

Listing

Our Class A Common Stock is listed on The Nasdaq Global Select Stock Market under the symbol "WDAY". Our Class B Common Stock is not listed on any stock market or exchange.

Common Stock Rights

The rights of the holders of Class A Common Stock and Class B Common Stock are identical, except with respect to voting, conversion and transfer rights.

Voting Rights: The holders of our Class A Common Stock are entitled to one vote per share, and the holders of our Class B Common Stock are entitled to 10 votes per share. The holders of our Class A Common Stock and Class B Common Stock generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by our Restated Certificate of Incorporation, Restated Bylaws, or applicable law.

Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, our Restated Certificate of Incorporation or our Restated Bylaws. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of Common Stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Voting and Stock Restriction Agreements: Mr. David Duffield and Mr. Aneel Bhusri, our co-founders (the “**Founders**”), have entered into a voting agreement with each other and a stock restriction agreement with each other and us (collectively, the “**Agreements**”). The Agreements apply to all Class B Common Stock beneficially owned from time to time by our Founders and each of their permitted transferees (as described below).

Under the voting agreement, each of the Founders has granted a proxy holder the right to exercise all of the voting and consent rights of his and his permitted transferee’s Class B Common Stock following his death or during his incapacity. Initially, Mr. Duffield has designated Mr. Bhusri as his designated proxy holder, and Mr. Bhusri has designated Mr. Duffield as his designated proxy holder, and such designations have been approved by our board of directors. Each Founder will have the right during his lifetime to remove his designated proxy holder and replace him with a new proxy holder approved by our board of directors. In the event that there is no proxy holder approved by our board of directors for the Class B Common Stock subject to the voting agreement, the voting and consent rights of such Class B Common Stock will be exercised by our board of directors acting by majority vote. Upon the death or incapacity of a Founder, his designated proxy holder will have an irrevocable proxy to vote or otherwise consent to any matters in respect of the deceased or incapacitated Founder’s Class B Common Stock.

After a Founder’s death or incapacity, the stock restriction agreement will restrict that Founder and his permitted transferees from transferring any Class B Common Stock to a transferee that would own more than 10% of our Class A Common Stock following such transfer, excluding transfers to each other and transfers to permitted transferees. After a Founder’s death or incapacity, that Founder and his permitted transferees will be restricted from converting any Class B Common Stock into Class A Common Stock, unless he transfers his entire economic interest in those shares of Class B Common Stock. The holders of the Class B Common Stock, including the Founders, may at any time vote in favor of converting all of the Class A Common Stock and Class B Common Stock into a single class of common stock.

The Agreements will terminate upon the earliest to occur of the following: (i) the conversion of the Class A Common Stock and Class B Common Stock into a single class of common stock, or (ii) the time at which neither Founder nor any of their permitted transferees beneficially owns any Class B Common Stock. The voting agreement may not be unilaterally terminated by either Founder, and the stock restriction agreement may not be unilaterally terminated by us or either Founder.

Dividend Rights: We have never declared or paid any dividends on our capital stock. Dividends will be payable only as and when declared from time to time by our board of directors out of assets legally available at the time. If we do declare dividends, both Class A and Class B stockholders will receive equal dividend amounts per share unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of each class of Common Stock entitled to vote thereon, each voting separately as a class, subject to preferential rights that may be applicable to any preferred stock then outstanding.

Liquidation Rights: Upon our liquidation, dissolution or winding up, the holders of our Common Stock will be entitled to share equally and ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of each class of Common Stock entitled to vote thereon, each voting separately as a class, subject to preferential rights that may be applicable to any preferred stock then outstanding.

No Preemptive or Similar Rights: Except for the conversion provisions with respect to our Class B Common Stock described below, holders of our Common Stock have no preemptive or conversion rights, and there are no redemption or sinking fund provisions applicable to our Common Stock.

Conversion Rights: Shares of Class A Common Stock are not convertible into any other shares of our capital stock. Each share of our Class B Common Stock is convertible at any time at the option of the holder into one share of our Class A Common Stock. Each share of our Class B Common Stock will convert automatically into one share of our Class A Common Stock upon any transfer, whether or not for value, except for certain permitted transfers described in our Restated Certificate of Incorporation, including transfers to any “permitted transferee” as defined in our Restated Certificate of Incorporation, which includes, among others, transfers:

- to a Founder, provided that the distribution of Class B Common Stock is made by a venture capital or other investment fund and does not involve any payment of cash, securities, property or other consideration (other than the founder’s interest in such venture capital or investment fund); or
- to trusts, corporations, limited liability companies, partnerships, foundations or similar entities established by a Class B stockholder or a Founder’s estate, or the estate of a Founder itself, provided that:
 - such transfer is to entities established by a Class B stockholder (other than a Founder, an entity established by a Founder, or a Founder’s estate) where the Class B stockholder retains the exclusive right to vote and direct the disposition of the shares of Class B Common Stock; or
 - such transfer is to entities established by a Founder, his estate or an entity established by him or his estate, where he or a designated proxy holder under a voting agreement retains exclusive right to vote the shares of Class B Common Stock; and
 - in either case, such transfer does not involve payment of cash, securities, property or other consideration to the Class B Stockholder.

Once transferred and converted into Class A Common Stock, the Class B Common Stock will not be reissued.

All the outstanding shares of Class A Common Stock and Class B Common Stock will convert automatically into shares of a single class of common stock upon the earliest to occur of the following: (i) upon the election of the holders of a majority of the then outstanding shares of Class B Common Stock, (ii) the date when the number of outstanding shares of Class B Common Stock represents less than 9% of all outstanding shares of Common Stock, (iii) October 17, 2032; or (iv) nine months after the death of the last to die of Mr. Duffield and Mr. Bhusri. Following such conversion, each share of common stock will have one vote per share and the rights of the holders of all outstanding common stock will be identical. Once converted into a single class of common stock, the Class A Common Stock and Class B Common Stock may not be reissued.

Anti-takeover Provisions

Certain provisions of our Restated Certificate of Incorporation, our Restated Bylaws, and Delaware law, which are summarized below, may have the effect of delaying, deferring or preventing another person from acquiring control of us.

Restated Certificate of Incorporation and Restated Bylaws Provisions: Our Restated Certificate of Incorporation and our Restated Bylaws include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

- *Separate Class B Common Stock vote for change in control transactions.* Any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B Common Stock voting as a separate class. This provision could delay or prevent the approval of a change in control that might otherwise be approved by a majority of outstanding shares of our Class A Common Stock and Class B Common Stock voting together on a combined basis.
-

- *Dual class stock.* We have a dual class common stock structure, which effectively provides our Founders with the ability to control the outcome of all matters requiring stockholder approval. These matters include the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets.
 - *Amendment of Certificate of Incorporation and Bylaws Provisions.* Upon such time as the outstanding shares of our Class B Common Stock represent less than a majority of the combined voting power of Common Stock, certain amendments to our Restated Certificate of Incorporation or Restated Bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A Common Stock and Class B Common Stock. This will have the effect of making it more difficult to amend our Restated Certificate of Incorporation or Restated Bylaws to remove or modify any existing provisions.
 - *Board of directors vacancies.* Our Restated Certificate of Incorporation and Restated Bylaws currently provide that our board of directors or stockholders may fill vacant directorships. However, when the outstanding shares of our Class B Common Stock represent less than a majority of the combined voting power of Common Stock, our Restated Certificate of Incorporation and Restated Bylaws will authorize only our board of directors to fill vacant directorships. In addition, the number of directors constituting our board of directors is set only by resolution adopted by a majority vote of our entire board of directors. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.
 - *Classified board of directors.* Our Restated Certificate of Incorporation and Restated Bylaws currently provide that our board of directors will be classified into three classes of directors, each of which will hold office for a three-year term. In addition, directors may only be removed from the board of directors for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the then outstanding shares of our Common Stock. The existence of a classified board could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror.
 - *Special meeting of stockholders.* Our Restated Certificate of Incorporation currently provides that stockholders are able to take action by written consent. However, when the outstanding shares of our Class B Common Stock represent less than a majority of the combined voting power of our Common Stock, our stockholders will no longer be able to take action by written consent and will only be able to take action at annual or special meetings of stockholders. Our stockholders are not permitted to cumulate their votes for the election of directors. Our Restated Bylaws further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our chief executive officer, or our co-presidents.
 - *Advance notice requirements for stockholder proposals and director nominations.* Our Restated Bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at any meeting of stockholders. Our Restated Bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders.
 - *Issuance of undesignated preferred stock.* Our board of directors has the authority, without further action by the holders of Class A Common Stock, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors and approved by a majority of the holders of Class B Common Stock. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.
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- *Choice of forum.* Our Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our Restated Certificate of Incorporation or our Restated Bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Delaware Law: We are subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, this law prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for three years after the person became an interested stockholder unless, subject to specified exceptions, the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset sale, stock sale or other transaction that results in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior, did own 15% or more of the corporation's voting stock. These provisions may have the effect of delaying, deferring or preventing a change in control without further action by stockholders.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

The Compensation Committee of the Board of Directors (the “**Committee**”) of Workday, Inc. (“**Workday**”) has granted to Participant a Restricted Stock Unit Award (“**RSU**”) under Workday’s 2012 Equity Incentive Plan (the “**Plan**”). Unless otherwise defined herein, the terms defined in the Plan will have the same defined meanings in this Restricted Stock Unit Award Agreement (the “**Agreement**”) and the electronic representation of the Notice of Restricted Stock Unit Award established and maintained by Workday, or a third party designated by Workday (the “**Notice**”). The RSU is subject to the terms, restrictions and conditions of the Plan, the Notice and this Agreement, including any applicable country-specific provisions in the appendix attached hereto (the “**Appendix**”), which constitutes part of this Agreement.

1. Terms. The number of RSUs provided by the Award and the applicable Vesting Period(s) are set forth in the Notice. Participant’s RSU shall vest provided he or she provides continuous service to Workday or its subsidiaries during the Vesting Period(s).

2. Settlement. Settlement of RSUs will be made within 30 days following the applicable date of vesting under the Vesting Period(s) set forth in the Notice. Settlement of RSUs will be in Shares. No fractional RSUs or rights for fractional Shares will be created pursuant to this Agreement.

3. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, Participant will have no ownership of the Shares allocated to the RSUs and will have no right to dividends or to vote such Shares.

4. Dividend Equivalents. Dividends, if any (whether in cash or Shares), will not be credited to Participant.

5. Non-Transferability of RSUs. The RSUs and any interest therein will not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or by court order or unless otherwise permitted by the Committee on a case-by-case basis.

6. Termination. If Participant’s service Terminates for any reason, all unvested RSUs will be forfeited to Workday forthwith, and all rights of Participant to such RSUs will immediately terminate (unless determined otherwise by the Committee). Participant acknowledges and agrees that the Vesting Period(s) may change prospectively in the event Participant’s service status changes between full- and part-time and/or in the event Participant is on a leave of absence, in accordance with Workday policies relating to work schedules and vesting of Awards or as determined by the Committee. In case of any dispute as to whether Termination has occurred, the Committee will have sole discretion to determine whether such Termination has occurred and the effective date of such Termination (including whether Participant may still be considered to be providing services while on an approved leave of absence).

7. Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by Workday or, if different, Participant's employer (the "**Employer**") the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("**Tax-Related Items**"), is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by Workday or the Employer. Participant further acknowledges that Workday and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant, vesting or settlement of the RSUs and the subsequent sale of Shares acquired pursuant to such settlement; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that Workday and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. *PARTICIPANT SHOULD CONSULT A TAX ADVISER APPROPRIATELY QUALIFIED IN THE COUNTRY OR COUNTRIES IN WHICH PARTICIPANT RESIDES OR IS SUBJECT TO TAXATION.*

Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Workday and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes Workday and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items, if any, by one or a combination of the following:

- (i) withholding from Participant's wages or other cash compensation paid to Participant by Workday and/or the Employer; or
- (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by Workday (on Participant's behalf pursuant to this authorization without further consent); or
- (iii) withholding in Shares to be issued upon settlement of the RSUs, or
- (iv) any other arrangement approved by the Committee.

Notwithstanding the foregoing, if Participant is subject to Section 16 of the Exchange Act, Workday will satisfy the obligations with regard to all Tax-Related Items by withholding in Shares to be issued upon settlement of the RSUs, unless the use of such withholding method is problematic under applicable laws or has materially adverse accounting consequences, in which case Participant may elect to (A) have Workday or the Employer withhold from Participant's wages or other cash compensation paid to Participant by Workday and/or the Employer, or (B) have Workday withhold from proceeds of the sale of Shares acquired upon settlement of the RSUs, either through a voluntary sale or through a mandatory sale arranged by Workday (on Participant's behalf pursuant to this authorization).

Workday may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates in Participant's jurisdiction(s), including maximum rates applicable in Participant's jurisdiction(s), in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the Tax-Related Items withholding.

Finally, Participant agrees to pay to Workday or the Employer any amount of Tax-Related Items that Workday or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Workday may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

8. Nature of Grant. By accepting the RSUs (whether in writing, electronically or otherwise), Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by Workday, it is discretionary in nature and it may be modified, amended, suspended or terminated by Workday at any time, to the extent permitted by the Plan;
 - (b) the grant of the RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;
 - (c) all decisions with respect to future RSU or other grants, if any, will be at the sole discretion of Workday;
 - (d) the RSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or services contract with Workday, the Employer or any Parent or Subsidiary;
 - (e) Participant is voluntarily participating in the Plan;
 - (f) the RSUs and the Shares subject to the RSUs are not intended to replace any pension rights or compensation;
 - (g) the RSUs and the Shares subject to the RSUs, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
 - (h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
 - (i) no claim or entitlement to compensation or damages will arise from forfeiture of the RSUs resulting from (1) the application of any compensation recovery or clawback policy adopted by Workday or otherwise required by law, or (2) Participant's Termination;
 - (j) unless otherwise provided in the Plan or by Workday in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any Corporate Transaction affecting the Shares;
 - (k) unless otherwise agreed with Workday, the RSUs and the underlying Shares, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary; and
 - (l) the following provisions apply only if Participant is providing services outside the United States:
 - (i) the RSUs and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose;
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- (ii) neither Workday, the Employer nor any Parent or Subsidiary will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

9. No Advice Regarding Grant. Workday is not providing any tax, legal or financial advice, nor is Workday making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

10. Data Privacy.

(a) **Data Collection and Usage.** *Workday and any Parent or Subsidiary, including the Employer, may collect, process and use certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in Workday, details of all RSUs or any other entitlement to Shares or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is Participant's consent.*

(b) **Stock Plan Administration Service Providers.** *Workday transfers Data to Morgan Stanley Smith Barney LLC and its affiliated companies (collectively, "Morgan Stanley"), an independent service provider based in the United States, which is assisting Workday with the implementation, administration and management of the Plan. Workday may select a different service provider or additional service providers and share Data with such other provider(s) serving in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(c) **International Data Transfers.** *Workday and its service providers are based in the United States. Participant's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. Workday's legal basis, where required, for the transfer of Data is Participant's consent.*

(d) **Data Retention.** *Workday will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that Workday would not be able to grant RSUs or other equity awards to Participant or administer or maintain such awards.*

(f) **Data Subject Rights.** Participant may have a number of rights under data privacy laws in Participant's jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access or copies of Data Workday processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

By accepting the RSUs and indicating consent via Workday's acceptance procedure, Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by Workday and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, Participant understands that Workday may rely on a different legal basis for the processing or transfer of Data in the future and/or request Participant to provide another data privacy consent. If applicable and upon request of Workday or the Employer, Participant agrees to provide an executed acknowledgment or data privacy consent form (or any other agreements or consents) that Workday and/or the Employer may deem necessary to obtain from Participant for the purpose of administering his or her participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such acknowledgement, agreement or consent requested by Workday and/or the Employer.

11. Language. Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Participant to understand the terms of this Agreement, including the Appendix and any other documents related to the Plan. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

12. Appendix. Notwithstanding any provisions in this Agreement, the RSU grant will be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent Workday determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

13. Imposition of Other Requirements. Workday reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent Workday determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

14. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement will not be construed as a waiver of any rights of such party.

15. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by Workday and Participant with all applicable U.S. and non-U.S. local, state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which Workday's Common Stock may be listed or quoted at the time of such issuance or transfer.

16. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision will be excluded from this Agreement, (ii) the balance of this Agreement will be interpreted as if such provision were so excluded and (iii) the balance of this Agreement will be enforceable in accordance with its terms.

17. Governing Law and Venue. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

Any and all disputes relating to, concerning or arising from this Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Agreement, will be brought and heard exclusively in the United States District Court for the District of Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

18. No Rights as Employee, Director or Consultant. Nothing in this Agreement will affect in any manner whatsoever the right or power of Workday, or a Parent or Subsidiary of Workday, to terminate Participant's service, for any reason, with or without Cause.

19. Insider Trading / Market Abuse Laws. Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including, but not limited to, the United States and, if different, Participant's country, which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Restricted Stock Units) or rights linked to the value of Shares under the Plan during such times as Participant is considered to have "inside information" regarding Workday (as defined by the laws in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Workday insider trading policy. Neither Workday nor any Parent or Subsidiary will be responsible for such restrictions or liable for the failure on Participant's part to know and abide by such restrictions. Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

20. Foreign Asset/Account Reporting Requirements and Exchange Controls. Participant acknowledges that his or her country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect Participant's ability to acquire or hold Shares purchased under the Plan or cash received from participating in the Plan (including from any dividends paid on or sales proceeds arising from the sale of Shares acquired under the Plan) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to Participant's country through a designated bank or broker within a certain time after receipt. Participant acknowledges that it is Participant's responsibility comply with such regulations, and Participant should consult a personal legal advisor for any details.

21. Code Section 409A. For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a “separation from service” as defined in Section 409A of the Internal Revenue Code and the regulations thereunder (“Section 409A”). Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Participant’s termination of employment constitute deferred compensation subject to Section 409A, and Participant is deemed at the time of such termination of employment to be a “specified employee” under Section 409A, then such payment will not be made or commence until the earlier of (i) the expiration of the six-month period measured from Participant’s separation from service from Workday or (ii) the date of Participant’s death following such a separation from service; provided, however, that such deferral will only be effected to the extent required to avoid adverse tax treatment to Participant including, without limitation, the additional tax for which Participant would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this Agreement may be classified as a “short-term deferral” within the meaning of Section 409A, such payment will be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

22. Award Subject to Workday Clawback or Recoupment. To the extent permitted by applicable law, the RSUs will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant’s employment or other Service that is applicable to Participant. In addition to any other remedies available under such policy and applicable law, Workday may require the cancellation of Participant’s RSUs (whether vested or unvested) and the recoupment of any gains realized with respect to Participant’s RSUs.

23. Acknowledgment; Consent to Electronic Delivery of All Plan Documents and Disclosures. By Participant’s acceptance (whether in writing, electronically or otherwise) of the Notice, Participant and Workday agree that the RSUs are granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. Participant acknowledges receipt of a copy of the Plan, the Plan prospectus, the Notice and this Agreement and hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. Participant acknowledges receipt of a copy of the Plan, the Plan prospectus, the Notice and this Agreement and hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. Participant has reviewed the Plan, the Plan prospectus, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Plan prospectus, the Notice and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. Participant further agrees to notify Workday upon any change in Participant’s residence address.

By acceptance of the RSUs, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Workday or a third party designated by Workday and consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Workday, and all other documents that Workday is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the RSUs and current or future participation in the Plan. Electronic delivery may include the delivery of a link to a Workday intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Workday's discretion. Participant acknowledges that Participant may receive from Workday a paper copy of any documents delivered electronically at no cost if Participant contacts Workday by telephone, through a postal service or electronic mail at Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Workday or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Workday of such revised or revoked consent by telephone, postal service or electronic mail through Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery.

By accepting (whether in writing, electronically or otherwise) the RSUs, Participant acknowledges and agrees to the following:

Participant understands that Participant's employment or consulting relationship or service with Workday, Inc. or a Parent or Subsidiary is for an unspecified duration, can be terminated at any time (*i.e.*, is at will), except where otherwise prohibited by applicable law and that nothing in this Agreement, the Notice or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the RSUs pursuant to this Notice is earned only by continuing service as an Employee, Director or Consultant of Workday or Parent or Subsidiary. Participant also understands that this Agreement is subject to the terms and conditions of both the Notice and the Plan, both of which are incorporated herein by reference. Participant has read the Agreement, the Notice and the Plan. By accepting the RSUs, Participant consents to the electronic delivery as set forth in this Agreement.

WORKDAY, INC.

A handwritten signature in black ink, appearing to read 'Anel Bhusri', written over a horizontal line.

By: Anel Bhusri

Title: Co-founder, Chief Executive Officer and Director

APPENDIX
WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

COUNTRY SPECIFIC PROVISIONS FOR EMPLOYEES OUTSIDE THE U.S.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the RSUs granted to Participant under the Plan if Participant resides and/or works in one of the countries below. This Appendix forms part of the Agreement. Any capitalized term used in this Appendix without definition will have the meaning ascribed to it in the Notice, the Agreement or the Plan, as applicable.

If Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency between countries after the Date of Grant, Workday will, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to Participant under these circumstances.

Notifications

This Appendix also includes information relating to exchange control, foreign asset/account reporting requirements and other issues of which Participant should be aware with respect to Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of September 2019. Such laws are often complex and change frequently. As a result, Participant should not rely on the information herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Participant vests in the RSUs or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to Participant's particular situation, and Workday is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency after the Date of Grant, the information contained herein may not apply to Participant in the same manner.

AUSTRALIA

Terms and Conditions

Australia Class Order Exemption. The offer of the RSUs is intended to comply with the provisions of the Corporations Act 2001, Australian Securities & Investments Commission ("ASIC") Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the offer of Restricted Stock Units to Australian Resident Employees, which is provided to Participant with this Agreement.

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

AUSTRIA

Notifications

Exchange Control Information. If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside of Austria, Participant will be required to report certain information to the Austrian National Bank as follows: (i) on a quarterly basis if the value of the Shares as of the last day of any given quarter exceeds €30,000,000; and (ii) on an annual basis if the value of the shares as of December 31 exceeds €5,000,000. The deadline for filing the annual report is January 31 of the following year.

In addition, when the Shares are sold or a dividend is received, Participant may be required to comply with certain exchange control obligations if the cash proceeds from the sale are held outside of Austria. If the transaction volume of all accounts abroad meets or exceeds €10,000,000, the movement and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month on the prescribed form (*Meldungen SI-Forderungen und/oder SI-Verpflichtungen*).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. If Participant is a Belgian resident, Participant is required to report any securities (e.g., Shares acquired under the Plan) or bank account (including any brokerage account Participant holds at Morgan Stanley or other stock plan service provider as may be selected by Workday in the future) held outside Belgium on Participant's annual tax return. In a separate report, Belgian residents are required to provide the National Bank of Belgium with the account details of any such foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be.

CANADA

Terms and Conditions

Vesting/Termination. This provision supplements Section 1 and 6 of the Agreement:

For purposes of the Award, the Participant's employment relationship will be considered terminated as of the date that is the earlier of (i) the date of the Participant's termination, (ii) the date the Participant receives notice of termination, or (iii) the date the Participant is no longer actively providing services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under Canadian laws or the terms of the Participant's employment agreement, if any); in the event that the date the Participant is no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the RSUs (including whether the Participant may still be considered to be providing services while on a leave of absence).

Settlement.

This provision supplements Section 2 of the Agreement:

Notwithstanding any discretion set forth in Section 9.1 of the Plan, the RSUs are payable in Shares only, and a grant of RSUs does not provide any right for Participant to receive a cash payment or a combination of a cash payment and Shares.

The following provisions apply to Participants in Quebec:

Data Privacy. The following provision supplements Section 10 of the Agreement.

Participant hereby authorizes Workday and Workday’s representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. Participant further authorizes Workday, the Employer and/or any other Parent or Subsidiary to disclose and discuss such information with their advisors. Participant also authorizes Workday, the Employer and/or any other Parent or Subsidiary to record such information and to keep such information in Participant’s employment file.

Language Consent to Receive Information in English for Quebec Participants. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement Relatif à la Langue Utilisée. Les parties reconnaissent avoir exigé que cette convention [“Agreement”], ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Notifications

Securities Law Information. Participant understands he or she is permitted to sell Shares acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq Global Select Market (the “*Nasdaq*”).

Foreign Asset/Account Reporting Information. Canadian residents are required to report foreign specified property, including Shares and rights to receive Shares (e.g., RSUs), on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time during the year. RSUs must be reported (generally, at a nil cost) if the C\$100,000 cost threshold is exceeded because of other foreign specified property held by Participant. When Shares are acquired, their cost generally is the adjusted cost base (“*ACB*”) of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares.

CHINA

Terms and Conditions

*The following provisions govern Participant’s participation in the Plan only if Participant is subject to exchange control restrictions in the People’s Republic of China (“**China**”), as determined by Workday in its sole discretion.*

Vesting and Settlement Conditions. This section supplements Sections 1 and 2 of the Agreement:

Workday is under no obligation to vest RSUs or issue Shares unless and until its registration application is approved by the Chinese State Administration of Foreign Exchange (“*SAFE*”). Further, at Workday’s discretion, RSUs will not vest and Shares will not be issued if, at the time Participant’s RSUs are otherwise scheduled to vest, the SAFE registration has become invalid or ceased to be effective for any reason. Further, RSUs will not vest and the underlying Shares will not be issued unless and until Workday determines that such vesting and issuance of Shares complies with all relevant laws and regulations.

Required Sale of Shares. Due to exchange control laws in China, Workday may require that any Shares acquired upon the vesting and settlement of RSUs be immediately sold. Workday is authorized to instruct Morgan Stanley or such other broker as may be selected by Workday to assist with the mandatory sale of such Shares (on Participant's behalf pursuant to this authorization), and Participant expressly authorizes such broker to complete the sale of such Shares. In this regard, Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by Workday (or Workday's designated broker) to effectuate the sale of the Shares (including, without limitation, with respect to the transfers of the proceeds and other exchange control matters noted below) and otherwise cooperate with Workday on such matters, provided Participant will not be permitted to exercise any influence over how, when or whether the sales occur. Participant acknowledges that Morgan Stanley or such other designated broker as may be selected by Workday is under no obligation to arrange for the sale of the Shares at any particular price.

Alternatively, if Workday, in its discretion, does not exercise its right to require the automatic sale of Shares issuable upon vesting of the RSUs, as described in the preceding paragraph, any Shares acquired by Participant under the Plan must be sold no later than six months from the date of Termination, or within any other such time frame as may be permitted by Workday or required by SAFE. Any Shares acquired by Participant under the Plan that have not been sold within six months of the date of Termination shall be automatically sold by Morgan Stanley or such other broker as may be selected by Workday pursuant to this authorization and subject to the terms of the preceding paragraph. Upon the sale of the Shares, Workday agrees to pay the cash proceeds from the sale (less any applicable Tax-Related Items, brokerage fees and commissions) to Participant in accordance with applicable exchange control laws and regulations including, but not limited to, the restrictions set forth under the "Exchange Control Restrictions" section immediately below.

Exchange Control Requirements. Participant understands and agrees that, due to exchange control laws in China, Participant will be required to immediately repatriate to China the cash proceeds from the sale of Shares or any dividends paid on such Shares. Participant further understands that, under local law, such repatriation of the cash proceeds will need to be effected through a special exchange control account established by Workday, the Employer or another Subsidiary, and Participant hereby consents and agrees that the proceeds from the sale of Shares will be transferred to such special account prior to being delivered to Participant. Participant also understands that Workday will deliver the proceeds to Participant as soon as possible, but there may be delays in distributing the funds to Participant due to exchange control requirements in China. The proceeds may be paid in U.S. dollars or local currency, at Workday's discretion. If the proceeds are paid in U.S. dollars, Participant understands that Participant may be required to open a U.S. Dollar bank account in China into which the proceeds can be deposited. If the proceeds are converted to local currency, Participant acknowledges that Workday is under no obligation to secure any particular currency conversion rate, and that it may face delays in converting the proceeds to local currency. Participant will bear the risk of any currency conversion rate fluctuation between the date that the Shares are sold and the date of conversion of the proceeds to local currency. Participant must comply with any other requirements imposed by Workday in the future in order to facilitate compliance to the exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Information. Upon request of the Czech National Bank, Participant may be required to file a report in connection with the RSUs and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult with his or her personal advisor before vesting of the RSUs and before opening any foreign accounts in connection with the RSUs to ensure compliance with current regulations. Participant is responsible for complying with applicable Czech exchange control laws.

DENMARK

Terms and Conditions

Danish Stock Option Act. Participant acknowledges that he or she has received the Employer Statement in Danish which sets forth additional information about the RSUs to the extent that the Danish Stock Option Act (the “**Act**”) applies.

Participant understands that the Act only applies to “employees” as that term is defined in Section 2 of the Act. If Participant is a member of the registered management of a Subsidiary in Denmark or otherwise does not satisfy the definition of employee, he or she is not subject to the Act and the Employer Statement will not apply to him or her.

Further, the Act has been revised with effect from 1 January 2019. As a result of the amendments, the termination provision under the Plan will apply to any RSUs granted after 1 January 2019. The relevant termination provisions are detailed in the Plan and the Employer Statement.

Nature of Grant. The following provision supplements Section 8 of the Agreement:

By accepting the RSUs, Participant acknowledges, understands and agrees that this grant relates to future services to be performed and is not a bonus or compensation for past services.

Notifications

Foreign Asset/Account Reporting Information. If the Participant establishes an account holding Shares or cash outside Denmark, the Participant must report the account to the Danish Tax Administration. The form may be obtained from a local bank.

FINLAND

There are no country-specific provisions.

FRANCE

Terms and Conditions

Language Consent. By accepting the RSUs, Participant confirms having read and understood the Plan and this Agreement, which were provided in the English language. Participant accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée. En acceptant ces Droits sur des Actions Assujetties à des Restrictions [“RSUs”], le Participant confirme avoir lu et compris le Plan et le présent Contrat d’Attribution qui ont été transmis en langue anglaise. Le Participant accepte les termes et conditions de ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. If Participant holds securities (including Shares purchased under the Plan) or maintains a foreign bank account, Participant is required to report these to the French tax authorities when filing Participant’s annual tax return.

GERMANY

Notifications

Exchange Control Information. Cross border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). Participant understands that in the event he or she receives a payment in excess of this amount in connection with the sale of securities (including Shares acquired under the Plan), Participant must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

Foreign Asset/Account Reporting Information. If Participant’s acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, Participant will need to report the acquisition when he or she files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event that Participant holds Shares exceeding 10% of the total capital of Workday. However, if the Shares are listed on a recognized U.S. stock exchange and Participant owns less than 1% of Workday, this requirement will not apply to him or her. If applicable, Participant will be responsible for obtaining the appropriate form from a German federal bank and complying with the reporting obligations.

GREECE

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Securities Law Information. *WARNING: The grant of the RSUs under the Plan and the Shares subject to the RSUs do not constitute a public offer of securities under Hong Kong law and are available only to employees of Workday, its Subsidiaries and any Parent. This Agreement and the Plan and any other incidental communication materials distributed in connection with the Plan (i) have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong, (ii) have not been reviewed by any regulatory authority in Hong Kong, and (iii) are intended only for the personal use of eligible employees of Workday, its Subsidiaries and any Parent, and may not be distributed to any other person.*

Participant is advised to exercise caution in relation to the right to acquire Shares. If Participant is in any doubt about any of the contents of this Agreement, the Plan or any other incidental communication materials distributed in connection with the Plan, Participant should obtain independent professional advice.

Sale of Shares. By accepting the RSUs, Participant agrees that in the event Shares are issued in respect of the RSUs within six months of the Date of Grant, Participant will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

INDIA

Notifications

Exchange Control Information. Participants resident in India are required to repatriate to India any funds received under the Plan within such period of time prescribed under applicable Indian exchange control regulations, as may be amended from time to time. Upon repatriation, a foreign inward remittance certificate (“**FIRC**”) will be issued by the bank where the foreign currency is deposited. The FIRC should be retained as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation. It is Participant’s responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. Indian residents must declare the following items in their annual tax returns: (i) any foreign assets held (including Shares acquired under the Plan), and (ii) any foreign bank accounts for which the resident has signing authority. It is Participant’s responsibility to comply with applicable tax laws in India. Participant should consult with a personal tax advisor to ensure proper reporting of foreign assets and bank accounts.

INDONESIA

Terms and Conditions

Language Consent. By accepting the Award, Participant (i) confirms having read and understood these documents provided in the English language, (ii) accepts the terms of these documents accordingly, and (iii) agrees not to challenge the validity of these documents based on Law No. 24 of 2009 on National Flag, Language, Coat of Arms and National Anthem or the implementing Presidential Regulation (when issued).

Persetujuan dan Pemberitahuan Bahasa. Dengan menerima Penghargaan ini, (i) anda mengkonfirmasi bahwa anda telah membaca dan mengerti isi dokumen yang terkait dengan pemberian Penghargaan ini (yaitu Rencana dan Perjanjian Opsi Saham) yang disediakan untuk anda dalam bahasa Inggris, (ii) anda menerima persyaratan di dalam dokumen-dokumen tersebut, dan (iii) anda setuju bahwa anda tidak akan mengajukan keberatan atas keberlakuan dari dokumen ini berdasarkan Undang-Undang No. 24 tahun 2009 tentang Bendera, Bahasa dan Lambang Negara serta Lagu Kebangsaan atau peraturan pelaksana dari Peraturan Presiden (ketika diterbitkan nantinya).

Notifications

Exchange Control Information. Foreign exchange activity is subject to certain reporting requirements. For foreign currency transactions exceeding USD 25,000, the underlying document of that transaction will have to be submitted to the relevant local bank. If Participant repatriates funds (e.g., proceeds from the sale of Shares) into Indonesia, the Indonesian bank through which the transaction is made will submit a report of the transaction to the Bank of Indonesia.

For transactions of USD 10,000 or more (or its equivalent in other currency), a more detailed description of the transaction must be included in the report and Participant may be required to provide information about the transaction to the bank in order to complete the transaction.

IRELAND

Notifications

Director Notification Requirement. If Participant is a director, shadow director or secretary of an Irish Parent or Subsidiary, Participant must notify the Irish Parent or Subsidiary in writing upon (i) receiving or disposing of an interest in Workday (e.g., RSUs, Shares, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time, in each case if the interest represents more than 1% of Workday's share capital or voting rights. This notification requirement also applies with respect to the interests of any spouse or minor children (whose interests will be attributed to the director, shadow director or secretary).

ITALY

Terms and Conditions

Plan Document Acknowledgement. Participant acknowledges that by accepting the RSUs, Participant has been given access to the Plan document, have reviewed the Plan and this Agreement in their entirety and fully understand and accept all provisions of the Plan and this Agreement. Further, Participant acknowledges that he or she has read and expressly approves the following sections of the Agreement: Section 1. Terms; Section 2. Settlement; Section 4. Dividend Equivalents; Section 6. Termination; Section 7. Responsibility for Taxes; Section 8. Nature of Grant; Section 9. No Advice Regarding Grant; Section 10. Data Privacy; Section 11. Language; Section 13. Imposition of Other Requirements; Section 17. Governing Law and Venue; Section 18. No Rights as Employee, Director or Consultant; and Section 23. Acknowledgment; Consent to Electronic Delivery of All Plan Documents and Disclosures.

Notifications

Foreign Asset/Account Reporting Information. Participant understands that if Participant is an Italian resident and at any time during the fiscal year Participant holds foreign financial assets (including cash and Shares) which may generate income taxable in Italy, Participant is required to report these assets on Participant's annual tax return (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets, even if Participant does not directly hold investments abroad or foreign assets.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. Participant understands that if Participant holds assets outside of Japan (e.g., Shares acquired under the Plan) with a total net fair market value exceeding ¥50,000,000 (or an equivalent amount in foreign currency) as of December 31 each year, Participant is required to report the details of such assets to the Japanese tax authorities by March 15th of the following year. Participant acknowledges that he or she should consult with Participant's personal tax advisor to determine Participant's personal reporting obligations.

LATVIA

There are no country-specific provisions.

MALAYSIA

Terms and Conditions

Data Privacy. *The following provision replaces Section 10 of the Agreement.*

Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other RSU grant materials by and among, as applicable, Workday, the Employer and any other Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that Workday, the Employer and any other Parent or Subsidiary may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in Workday, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan. The source of the Data is the Employer, as well as information which Participant is providing to Workday and the Employer in connection with the Plan and this Agreement.

Participant understands that Data will be transferred to Morgan Stanley or such other stock plan service provider as may be selected by Workday in the future, which is assisting Workday with the implementation, administration and management of the Plan. Participant further understands that Workday, the Employer and any other Parent or Subsidiary will transfer Data among themselves as necessary for the purpose of the implementation, administration and management of Participant's participation in the Plan, and that Workday, the Employer and any other Parent or Subsidiary may each further transfer Data to third parties assisting Workday in the implementation, administration and management of the Plan, including any requisite transfer to a broker or another third party with whom Participant may elect to deposit any Shares acquired under the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative, Cynthia Chan, email address is cynthia.chan@workday.com. Participant authorizes Workday, Morgan Stanley and any other possible recipients which may assist Workday (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a third party with whom the Participant may elect to deposit any Shares acquired upon vesting of the Restricted Stock Units.

Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that Workday would not be able to grant Participant RSUs or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

Malaysian Translation

Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi Peserta seperti yang diterangkan dalam Perjanjian dan apa-apa bahan geran RSU lain oleh dan di antara, seperti mana yang terpakai, Workday, Majikan dan mana-mana Syarikat Induk atau Anak-Anak Syarikatnya untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan.

Peserta memahami bahawa Workday, Majikan dan mana-mana Syarikat Induk atau Anak-Anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, alamat emel, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain (seperti, nombor pendaftaran penduduk tetap atau nombor kad pengenalan), gaji, kewarganegaraan, jawatan, apa-apa syer dalam saham atau jawatan pengarah yang dipegang di Workday, butir-butir semua RSUs atau apa-apa hak lain atas syer dalam saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedah Peserta ("Data"), untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan. Sumber Data adalah daripada Majikan, dan juga maklumat yang Peserta berikan kepada Workday dan Majikan berhubung dengan Pelan dan Perjanjian ini.

Peserta memahami bahawa Data ini akan dipindahkan kepada Morgan Stanley atau pembekal perkhidmatan pelan saham yang ditetapkan oleh Workday pada masa depan yang membantu Workday dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Peserta memahami selanjutnya bahawa Workday, Majikan dan Syarikat Induk atau Anak-Anak Syarikat lain akan memindah Data sesama mereka seperti diperlukan untuk tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan, dan Workday, Majikan dan Syarikat Induk atau Anak-Anak Syarikat yang lain masing-masing boleh memindah Data kepada pihak-pihak ketiga yang membantu Workday dalam pelaksanaan, pentadbiran dan pengurusan Pelan, termasuk pemindahan yang diperlukan kepada broker atau pihak ketiga yang lain yang mana Peserta boleh memilih untuk menandatangani Syer-Syer yang diperolehi daripada Pelan. Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain dan bahawa negara penerima-penerima mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama dan alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta Cynthia Chan, alamat emel cynthia.chan@workday.com. Peserta memberi kuasa kepada Workday, Morgan Stanley dan mana-mana penerima-penerima lain yang mungkin membantu Workday (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, semata-mata dengan tujuan untuk melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan, termasuk apa-apa pemindahan Data yang diperlukan kepada pihak ketiga yang lain dengan sesiapa yang Peserta pilih untuk deposit apa-apa Saham yang diperolehi selepas terletak hak RSUs.

Peserta memahami bahawa Data hanya akan disimpan untuk tempoh yang perlu bagi melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis wakil sumber manusia tempatan Peserta. Peserta selanjutnya memahami bahawa Peserta memberi persetujuan ini secara sukarela. Sekiranya Peserta tidak bersetuju, atau kemudian membatalkan persetujuannya, status pekerjaan atau perkhidmatan Peserta dengan Majikan tidak akan terjejas; satunya akibat jika Peserta tidak bersetuju atau menarik balik persetujuan Peserta adalah bahawa Workday tidak akan dapat menganugerahkan kepada Peserta RSUs atau anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan Peserta boleh menjejaskan keupayaannya untuk mengambil bahagian dalam Pelan. Untuk maklumat lanjut mengenai akibat keengganan Peserta untuk memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan Peserta.

Notifications

Director Notification Obligation. Directors of Workday's Malaysian Subsidiary are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify such entity in writing within 14 business days of the acquisition or disposal of an interest (e.g., RSUs granted under the Plan or Shares) in Workday or any related company.

MEXICO

Terms and Conditions

Plan Document Acknowledgement. By accepting the RSUs, Participant acknowledges that he or she has received a copy of the Plan and the Agreement, which Participant has reviewed. Participant acknowledges further that he or she accepts all the provisions of the Plan and the Agreement. Participant also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in Section 8 ("Nature of Grant") in the Agreement, which clearly provides as follows:

- (1) Participant's participation in the Plan does not constitute an acquired right;
- (2) The Plan and Participant's participation in the Plan are offered by Workday on a wholly discretionary basis;
- (3) Participant's participation in the Plan is voluntary; and
- (4) Workday and its Subsidiaries are not responsible for any decrease in the value of any Shares acquired at vesting and settlement of the RSUs.

Labor Law Policy and Acknowledgment. By accepting the RSUs, Participant expressly recognizes that Workday, with registered offices at 6110 Stoneridge Mall Road Pleasanton, California U.S.A., is solely responsible for the administration of the Plan, and that Participant's participation in the Plan and acquisition of Shares do not constitute an employment relationship between Participant and Workday since Participant is participating in the Plan on a wholly commercial basis and the Workday Mexico S. de R.L. de C.V. ("**Workday Mexico**") is his or her sole employer. Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that he or she may derive from participating in the Plan do not establish any rights between Participant and Workday Mexico and do not form part of the employment conditions and/or benefits provided by Workday Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that his or her participation in the Plan is as a result of a unilateral and discretionary decision of Workday; therefore, Workday reserves the absolute right to amend and/or discontinue Participant's participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against Workday for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to Workday, and its Subsidiaries, affiliates, branches, representative offices, shareholders, directors, officers, employees, agents, or legal representatives with respect to any claim that may arise.

Spanish Translation

Términos y Condiciones

Reconocimiento del Plan. *Al aceptar las Unidades, el Participante reconoce que ha recibido y revisado una copia del Plan y del Acuerdo. El Participante reconoce, además, que acepta todas las disposiciones del Plan y del Acuerdo. El Participante también reconoce que ha leído y que concretamente aprueba de forma expresa los términos y condiciones establecidos en la Sección 8 (“Naturaleza del Otorgamiento”) del Acuerdo de Acciones Restringidas, que claramente dispone lo siguiente:*

- (1) La participación del Participante en el Plan no constituye un derecho adquirido;*
- (2) El Plan y la participación del Participante en el Plan se ofrecen por Workday en su discrecionalidad total;*
- (3) La participación del Participante en el Plan es voluntaria; y*
- (4) Workday y sus Subsidiarias no son responsables por ninguna disminución en el valor de las acciones adquiridas al conferir las Unidades de Acciones Restringidas.*

Política Laboral y Reconocimiento. *Al aceptar las Unidades de Acciones Restringidas, el Participante expresamente reconoce que Workday, con oficinas registradas en Workday, Inc., 6110 Stoneridge Mall Road Pleasanton, California U.S.A., es la única responsable por la administración del Plan y que la participación del Participante en el Plan y la adquisición de Acciones no constituyen una relación de trabajo entre el Participante y Workday, ya que el Participante participa en el Plan en un marco totalmente comercial y Workday Mexico S. de R.L. de C.V. (“**Workday Mexico**”) es su único patrón. Derivado de lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que pudieran derivar de la participación en el Plan no establecen derecho alguno entre el Participante y el patrón, Workday Mexico, y no forma parte de las condiciones de trabajo y/o las prestaciones otorgadas por Workday Mexico, y que cualquier modificación al Plan o su terminación no constituye un cambio o impedimento de los términos y condiciones de la relación de trabajo del Participante.*

Asimismo, el Participante reconoce que su participación en el Plan es resultado de una decisión unilateral y discrecional de Workday; por lo tanto, Workday se reserva el derecho absoluto de modificar y/o terminar la participación del Participante en cualquier momento y sin responsabilidad alguna hacia el Participante.

Finalmente, el Participante por este medio declara que no se reserva ningún derecho o acción que ejercitar en contra de Workday por cualquier compensación o daños y perjuicios en relación de las disposiciones del Plan o de los beneficios derivados del Plan, y por lo tanto, el Participante exime amplia y completamente a Workday, y sus afiliadas, subsidiarias, sucursales, oficinas de representación, accionistas, directores, autoridades, empleados, agentes, o representantes legales de cualquier demanda que pudiera surgir.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

Notifications

Securities Law Information. **WARNING:** Participant is being granted RSUs to acquire Shares in accordance with the terms of this Agreement and the Plan. The Shares, if issued, will give Participant a stake in the ownership of Workday. Participant may receive a return if dividends are paid.

If Workday runs into financial difficulties and is wound up, Participant will be paid only after all other creditors (including holders of preference shares, if any) have been paid. Participant may lose some or all of Participant's investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, Participant may not be given all the information usually required. Participant will also have fewer other legal protections for this investment.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

The Shares are quoted on the Nasdaq. This means that if Participant acquires Shares, Participant may be able to sell the Shares on the Nasdaq if there are interested buyers. Participant may get less than he or she invested. The price will depend on the demand for the Shares.

For information on risk factors impacting Workday's business that may affect the value of the Shares, Participant should refer to the risk factors discussion in Workday's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on Workday's website at <http://www.workday.com/en-us/company/investor-relations/sec-filings.html>.

NORWAY

There are no country-specific provisions.

POLAND

Notifications

Exchange Control Information. Polish residents holding foreign securities (including Shares) and maintaining accounts abroad (including any brokerage account) must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (calculated individually or together with all other assets/liabilities held abroad) exceeds a specified threshold (currently PLN7,000,000). If required, the reports are due on a quarterly basis on special forms available on the website of the National Bank of Poland.

In addition, any transfer of funds in excess of a specified threshold (currently €15,000, but if such transfer is connected with business activity of an entrepreneur, PLN15,000) must be effected through a bank account in Poland. Participant should maintain evidence of such foreign exchange transactions for five years, in case of a request for their production by the National Bank of Poland.

SINGAPORE

Restriction on Sale of Shares. To the extent the RSUs vest within six months of the Date of Grant, Participant may not dispose of the Shares issued upon settlement of the RSUs, or otherwise offer the Shares to the public, prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") and in accordance with any other applicable provision of the SFA.

Notifications

Securities Law Information. The grant of RSUs under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of SFA and are not made with a view to the RSUs or the underlying Shares being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

Chief Executive Officer and Director Notification Obligation. The Chief Executive Officer (“**CEO**”), directors, associate directors or shadow directors of a Singapore Parent or Subsidiary are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify such entity in writing within two business days of any of the following events: (i) the acquisition or disposal of an interest (e.g., RSUs granted under the Plan or Shares) in Workday or any Parent or Subsidiary, (ii) any change in previously-disclosed interests (e.g., sale of Shares), or (iii) becoming a CEO, director, associate director or shadow director of a Parent or Subsidiary in Singapore, if the individual holds such an interest at that time. These notification requirements apply regardless of whether the CEO or directors are residents of or employed in Singapore.

SOUTH AFRICA

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 7 of the Agreement:

By accepting the RSUs, Participant agrees to immediately notify the Employer of the amount of any gain realized upon vesting of the RSUs. If Participant fails to advise the Employer of the gain realized upon vesting of the RSUs, then he or she may be liable for a fine. Participant will be solely responsible for paying the difference between the actual tax liability and the amount withheld by Workday or the Employer.

Notifications

Securities Law Information. In compliance with South African securities law, the documents listed below are available for Participant’s review on Workday’s website at <https://www.workday.com/en-us/company/investor-relations.html> and on Workday’s intranet, respectively:

1. Workday’s most recent annual financial statements; and
2. Workday’s most recent Plan prospectus.

A copy of the above documents will be sent to Participant free of charge on written request to Workday’s Global Stock Administration by logging a People Guide Request in Service Hub.

Participant should carefully read the materials provided before making a decision whether to participate in the Plan.

Exchange Control Information. Participant is solely responsible for complying with applicable South African exchange control regulations. As the exchange control regulations are subject to change, Participant should consult Participant’s legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure compliance with current regulations.

SOUTH KOREA

Notifications

Foreign Asset/Account Reporting Information. Korean residents must declare all foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the monthly balance of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency) on any month-end date during a calendar year.

SPAIN

Terms and Conditions

Nature of Grant. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, Participant consents to participating in the Plan and acknowledges that he or she has received a copy of the Plan.

Participant understands that Workday has unilaterally, gratuitously and discretionally decided to grant RSUs to acquire Shares under the Plan to individuals who may be Employees, Consultants, Directors or Non-Employee Directors of Workday or any Parent or Subsidiary throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind Workday or any Parent or Subsidiary. Consequently, Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any Shares acquired at vesting of the RSUs are not part of any employment or service agreement (either with Workday or any Parent or Subsidiary) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever.

In addition, Participant understands that the RSUs would not be granted to Participant but for the assumptions and conditions referred to herein; thus, Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of or right to RSUs shall be null and void.

Further, Participant acknowledges, understands and agrees that Participant will not be entitled to continue vesting in any RSUs once Participant's employment or service Terminates. This will be the case, for example, even in the event of a Termination of a Participant by reason of, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause or adjudged/recognized to be without good cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective dismissal on objective grounds, whether adjudged and/or recognized to be with or without cause, material modification of the terms of employment or service under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Notifications

Securities Law Information. The RSUs do not qualify under Spanish law as securities. No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. The Plan, this Agreement and any other RSU grant documents have not been nor will they be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and do not constitute a public offering prospectus.

Exchange Control Information. Participant must declare the acquisition, ownership and sale of Shares to the *Spanish Dirección General de Comercio e Inversiones* (the “**DGCI**”) of the Ministry of Economy and Competitiveness for statistical purposes. Generally, the declaration must be filed in January for Shares owned as of December 31 of the prior year on a Form D-6; however, if the value of the Shares purchased under the Plan or sold exceeds €1,502,530, the declaration must be filed within one month of the acquisition or sale, as applicable.

Further, Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (e.g., Shares) and any transactions with non-Spanish residents (including any payments of cash or Shares made to Participant by Workday or any U.S. brokerage account) if the balances in such accounts together with the value of such instruments as of December 31, or the volume of transactions with non-Spanish residents during the prior or current year, exceeds €1,000,000.

Foreign Asset/Account Reporting Information. To the extent Participant holds assets (e.g., cash or Shares held in a bank or brokerage account) outside Spain with a value in excess of €50,000 per type of asset (e.g., cash or Shares) as of December 31 each year, Participant is required to report information on such rights and assets on his or her tax return for such year. After such rights or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. The reporting must be completed by March 31 following the end of the relevant tax year.

SWEDEN

Terms and Conditions

Authorization to Withhold. This provision supplements Section 7 of the Agreement.

Without limiting Workday’s and the Employer’s authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 7 of the Agreement, in accepting the grant of RSUs, Participant authorizes Workday and/or the Employer to withhold Shares or to sell Shares otherwise deliverable to Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether Workday and/or the Employer have an obligation to withhold such Tax-Related Items.

SWITZERLAND

Notifications

Securities Law Information. The grant of the RSUs is not intended to be publicly offered in or from Switzerland. Neither this document nor any other materials relating to the RSUs constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the RSUs may be publicly distributed nor otherwise made publicly available in Switzerland. Further, neither this document nor any other offering or marketing material relating to the grant of RSUs have been or will be filed with, approved or supervised by the Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

THAILAND

Notifications

Exchange Control Information. Participant must repatriate the proceeds from the sale of Shares and any cash dividends received in relation to the Shares to Thailand immediately upon receipt if the amount of such proceeds received in a single transaction is US\$50,000 or more. Participant must then either convert the funds to Thai Baht or deposit the proceeds in a foreign currency deposit account maintained by a bank in Thailand within 360 days of remitting the proceeds to Thailand. If the amount of the proceeds is equal to or greater than US\$50,000, Participant must specifically report the inward remittance to the Bank of Thailand on a Foreign Exchange Transaction Form.

If Participant does not comply with this obligation, Participant may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, Participant should consult a legal advisor before selling Shares to ensure compliance with current regulations. It is Participant's responsibility to comply with exchange control laws in Thailand, and neither Workday nor the Employer will be liable for any fines or penalties resulting from Participant's failure to comply with applicable laws.

UNITED KINGDOM

Terms and Conditions

The following terms and conditions apply only if Participant is an Employee. No grants under this Agreement will be made to Consultants or Directors resident in the United Kingdom.

Settlement. This provision supplements Section 2 of the Agreement:

Notwithstanding any discretion set forth in Section 9.1 of the Plan, the RSUs are payable in Shares only, and a grant of RSUs does not provide any right for Participant to receive a cash payment or a combination of a cash payment and Shares.

Responsibility for Taxes. This provision supplements Section 7 of the Agreement:

Without limitation to Section 7 of the Agreement, Participant agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by Workday or the Employer or by Her Majesty's Revenue and Customs ("**HMRC**") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified Workday and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of Workday (within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In the event that Participant is a director or executive officer and income tax is not collected from or paid by Participant within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions ("**NICs**") may be payable. Participant understands that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying Workday or the Employer (as applicable) for the value of any employee NICs due on this additional benefit, which Workday or the Employer may obtain from Participant by any of the means referred to in the Plan or Section 7 of the Agreement.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

The Compensation Committee of the Board of Directors (the “**Committee**”) of Workday, Inc. (“**Workday**”) has granted to Participant a Performance Restricted Stock Unit Award (“**PRSU**”) under Workday’s 2012 Equity Incentive Plan (the “**Plan**”). Unless otherwise defined herein, the terms defined in the Plan will have the same defined meanings in this Performance Restricted Stock Unit Award Agreement (the “**Agreement**”) and the electronic representation of the Notice of Performance Restricted Stock Unit Award established and maintained by Workday or a third party designated by Workday (the “**Notice**”). The PRSU is subject to the terms, restrictions and conditions of the Plan, the Notice and this Agreement, including any applicable country-specific provisions in the appendix attached hereto (the “**Appendix**”), which constitutes part of this Agreement.

1. Terms. The number of PRSUs provided by the Award, the Date of Grant and the applicable Vesting Period(s) are set forth in the Notice. Subject to the limitations set forth in this Agreement, the Notice and the Plan, Participant’s PRSU will vest at the end of the applicable Vesting Period(s) provided that all of the following performance objective(s) are achieved by the fiscal year ended January 31, 2020 (the “**Performance Conditions**”) and subject to Participant's continuous provision of services through the end of the applicable Vesting Period(s): (1) Workday revenue of at least \$3.6 billion, (2) a non-GAAP operating profit of 12.3%, (3) a customer satisfaction rate of at least 95%; and (4) lead the enterprise software industry in machine learning with two application initiatives based on the Workday ML Foundation and accompanying compliance framework: a) App Initiative 1: Workday Assistant, b) App Initiative 2: Workday Talent Marketplace.

2. Settlement. Settlement of PRSUs will be made within 30 days following the applicable date of vesting under the Vesting Period(s) set forth in the Notice provided that the Performance Conditions are met. Settlement of PRSUs will be in Shares. No fractional PRSUs or rights for fractional Shares will be created pursuant to this Agreement.

3. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested PRSUs, Participant will have no ownership of the Shares allocated to the PRSUs and will have no right to dividends or to vote such Shares.

4. Dividend Equivalents. Dividends, if any (whether in cash or Shares), will not be credited to Participant.

5. Non-Transferability of PRSUs. The PRSUs and any interest therein will not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or by court order or unless otherwise permitted by the Committee on a case-by-case basis.

6. Termination. If Participant’s service Terminates for any reason, all unvested PRSUs will be forfeited to Workday forthwith, and all rights of Participant to such PRSUs will immediately terminate (unless determined otherwise by the Committee). Participant acknowledges and agrees that the Vesting Period(s) may change prospectively in the event Participant’s service status changes between full- and part-time and/or in the event Participant is on a leave of absence, in accordance with Workday policies relating to work schedules and vesting of Awards or as determined by the Committee. In case of any dispute as to whether Termination has occurred, the Committee will have sole discretion to determine whether such Termination has occurred and the effective date of such Termination (including whether Participant may still be considered to be providing services while on an approved leave of absence).

7. Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by Workday or, if different, Participant's employer (the "**Employer**") the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("**Tax-Related Items**"), is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by Workday or the Employer. Participant further acknowledges that Workday and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PRSUs, including, but not limited to, the grant, vesting or settlement of the PRSUs and the subsequent sale of Shares acquired pursuant to such settlement; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the PRSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that Workday and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. *PARTICIPANT SHOULD CONSULT A TAX ADVISER APPROPRIATELY QUALIFIED IN THE COUNTRY OR COUNTRIES IN WHICH PARTICIPANT RESIDES OR IS SUBJECT TO TAXATION.*

Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Workday and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes Workday and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items, if any, by one or a combination of the following:

- (i) withholding from Participant's wages or other cash compensation paid to Participant by Workday and/or the Employer; or
- (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the PRSUs either through a voluntary sale or through a mandatory sale arranged by Workday (on Participant's behalf pursuant to this authorization without further consent); or
- (iii) withholding in Shares to be issued upon settlement of the PRSUs; or
- (iv) any other arrangement approved by the Committee.

Notwithstanding the foregoing, if Participant is subject to Section 16 of the Exchange Act, Workday will satisfy the obligations with regard to all Tax-Related Items by withholding in Shares to be issued upon settlement of the PRSUs, unless the use of such withholding method is problematic under applicable laws or has materially adverse accounting consequences, in which case Participant may elect to (A) have Workday or the Employer withhold from Participant's wages or other cash compensation paid to Participant by Workday and/or the Employer, or (B) have Workday withhold from proceeds of the sale of Shares acquired upon settlement of the PRSUs, either through a voluntary sale or through a mandatory sale arranged by Workday (on Participant's behalf pursuant to this authorization).

Workday may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates in Participant's jurisdiction(s), including maximum rates applicable in Participant's jurisdiction(s), in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested PRSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the Tax-Related Items withholding.

Finally, Participant agrees to pay to Workday or the Employer any amount of Tax-Related Items that Workday or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Workday may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

8. Nature of Grant. By accepting the PRSUs (whether in writing, electronically or otherwise), Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by Workday, it is discretionary in nature and it may be modified, amended, suspended or terminated by Workday at any time, to the extent permitted by the Plan;
 - (b) the grant of the PRSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PRSUs, or benefits in lieu of PRSUs, even if PRSUs have been granted in the past;
 - (c) all decisions with respect to future PRSU or other grants, if any, will be at the sole discretion of Workday;
 - (d) the PRSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or services contract with Workday, the Employer or any Parent or Subsidiary;
 - (e) Participant is voluntarily participating in the Plan;
 - (f) the PRSUs and the Shares subject to the PRSUs are not intended to replace any pension rights or compensation;
 - (g) the PRSUs and the Shares subject to the PRSUs, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
 - (h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
 - (i) no claim or entitlement to compensation or damages will arise from forfeiture of the PRSUs resulting from (1) the application of any compensation recovery or clawback policy adopted by Workday or otherwise required by law, or (2) Participant's Termination;
 - (j) unless otherwise provided in the Plan or by Workday in its discretion, the PRSUs and the benefits evidenced by this Agreement do not create any entitlement to have the PRSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any Corporate Transaction affecting the Shares;
 - (k) unless otherwise agreed with Workday, the PRSUs and the underlying Shares, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of a Subsidiary; and
 - (l) the following provisions apply only if Participant is providing services outside the United States:
 - (i) the PRSUs and the Shares subject to the PRSUs are not part of normal or expected compensation or salary for any purpose;
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- (ii) neither Workday, the Employer nor any Parent or Subsidiary will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the PRSUs or of any amounts due to Participant pursuant to the settlement of the PRSUs or the subsequent sale of any Shares acquired upon settlement.

9. No Advice Regarding Grant. Workday is not providing any tax, legal or financial advice, nor is Workday making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

10. Data Privacy.

(a) **Data Collection and Usage.** *Workday and any Parent or Subsidiary, including the Employer, may collect, process and use certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in Workday, details of all PRSUs or any other entitlement to Shares or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is Participant's consent.*

(b) **Stock Plan Administration Service Providers.** *Workday transfers Data to Morgan Stanley Smith Barney LLC and its affiliated companies (collectively, "Morgan Stanley"), an independent service provider based in the United States, which is assisting Workday with the implementation, administration and management of the Plan. Workday may select a different service provider or additional service providers and share Data with such other provider(s) serving in a similar manner. Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(c) **International Data Transfers.** *Workday and its service providers are based in the United States. Participant's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. Workday's legal basis, where required, for the transfer of Data is Participant's consent.*

(d) **Data Retention.** *Workday will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and Participant is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that Workday would not be able to grant PRSUs or other equity awards to Participant or administer or maintain such awards.*

(f) **Data Subject Rights.** Participant may have a number of rights under data privacy laws in Participant's jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access or copies of Data Workday processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

By accepting the PRSUs and indicating consent via Workday's acceptance procedure, Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by Workday and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, Participant understands that Workday may rely on a different legal basis for the processing or transfer of Data in the future and/or request Participant to provide another data privacy consent. If applicable and upon request of Workday or the Employer, Participant agrees to provide an executed acknowledgment or data privacy consent form (or any other agreements or consents) that Workday and/or the Employer may deem necessary to obtain from Participant for the purpose of administering his or her participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such acknowledgement, agreement or consent requested by Workday and/or the Employer.

11. Language. Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Participant to understand the terms of this Agreement, including the Appendix and any other documents related to the Plan. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

12. Appendix. Notwithstanding any provisions in this Agreement, the PRSU grant will be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent Workday determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

13. Imposition of Other Requirements. Workday reserves the right to impose other requirements on Participant's participation in the Plan, on the PRSUs and on any Shares acquired under the Plan, to the extent Workday determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

14. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement will not be construed as a waiver of any rights of such party.

15. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by Workday and Participant with all applicable U.S. and non-U.S. local, state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which Workday's Common Stock may be listed or quoted at the time of such issuance or transfer.

16. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision will be excluded from this Agreement, (ii) the balance of this Agreement will be interpreted as if such provision were so excluded and (iii) the balance of this Agreement will be enforceable in accordance with its terms.

17. Governing Law and Venue. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

Any and all disputes relating to, concerning or arising from this Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Agreement, will be brought and heard exclusively in the United States District Court for the District of Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

18. No Rights as Employee, Director or Consultant. Nothing in this Agreement will affect in any manner whatsoever the right or power of Workday, or a Parent or Subsidiary of Workday, to terminate Participant's service, for any reason, with or without Cause.

19. Insider Trading / Market Abuse Laws. Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including, but not limited to, the United States and, if different, Participant's country, which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Restricted Stock Units) or rights linked to the value of Shares under the Plan during such times as Participant is considered to have "inside information" regarding Workday (as defined by the laws in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Workday insider trading policy. Neither Workday nor any Parent or Subsidiary will be responsible for such restrictions or liable for the failure on Participant's part to know and abide by such restrictions. Participant should consult with his or her own personal legal advisers to ensure compliance with local laws.

20. Foreign Asset/Account Reporting Requirements and Exchange Controls. Participant acknowledges that his or her country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect Participant's ability to acquire or hold Shares purchased under the Plan or cash received from participating in the Plan (including from any dividends paid on or sales proceeds arising from the sale of Shares acquired under the Plan) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to Participant's country through a designated bank or broker within a certain time after receipt. Participant acknowledges that it is Participant's responsibility comply with such regulations, and Participant should consult a personal legal advisor for any details.

21. Code Section 409A. For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a “separation from service” as defined in Section 409A of the Internal Revenue Code and the regulations thereunder (“Section 409A”). Notwithstanding anything else provided herein, to the extent any payments provided under this Agreement in connection with Participant’s termination of employment constitute deferred compensation subject to Section 409A, and Participant is deemed at the time of such termination of employment to be a “specified employee” under Section 409A, then such payment will not be made or commence until the earlier of (i) the expiration of the six-month period measured from Participant’s separation from service from Workday or (ii) the date of Participant’s death following such a separation from service; provided, however, that such deferral will only be effected to the extent required to avoid adverse tax treatment to Participant including, without limitation, the additional tax for which Participant would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this Agreement may be classified as a “short-term deferral” within the meaning of Section 409A, such payment will be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

22. Award Subject to Workday Clawback or Recoupment. To the extent permitted by applicable law, the PRSUs will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant’s employment or other Service that is applicable to Participant. In addition to any other remedies available under such policy and applicable law, Workday may require the cancellation of Participant’s PRSUs (whether vested or unvested) and the recoupment of any gains realized with respect to Participant’s PRSUs.

23. Acknowledgment; Consent to Electronic Delivery of All Plan Documents and Disclosures. By Participant’s acceptance (whether in writing, electronically or otherwise) of the Notice, Participant and Workday agree that the PRSUs are granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. Participant has reviewed the Plan, the Plan prospectus, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Plan prospectus, the Notice and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. Participant further agrees to notify Workday upon any change in Participant’s residence address.

By acceptance of the PRSUs, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Workday or a third party designated by Workday and consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Workday, and all other documents that Workday is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the PRSUs and current or future participation in the Plan. Electronic delivery may include the delivery of a link to a Workday intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Workday’s discretion. Participant acknowledges that Participant may receive from Workday a paper copy of any documents delivered electronically at no cost if Participant contacts Workday by telephone, through a postal service or electronic mail at Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Workday or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant’s consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Workday of such revised or revoked consent by telephone, postal service or electronic mail through Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery.

By accepting (whether in writing, electronically or otherwise) the PRSUs, Participant acknowledges and agrees to the following:

Participant understands that Participant's employment or consulting relationship or service with Workday or a Parent or Subsidiary is for an unspecified duration, can be terminated at any time (*i.e.*, is at will), except where otherwise prohibited by applicable law and that nothing in this Agreement, the Notice or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the PRSUs pursuant to this Agreement is earned only by continuing service as an Employee, Director or Consultant of Workday or Parent or Subsidiary. Participant also understands that this Agreement is subject to the terms and conditions of both the Notice and the Plan, both of which are incorporated herein by reference. Participant has read the Agreement, the Notice and the Plan. By accepting the PRSUs, Participant consents to the electronic delivery as set forth in this Agreement.

WORKDAY, INC.

A handwritten signature in black ink, appearing to read 'Aneel Bhusri', written in a cursive style.

By: Aneel Bhusri

Title: Co-founder, Chief Executive Officer and Director

APPENDIX
WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

COUNTRY SPECIFIC PROVISIONS FOR EMPLOYEES OUTSIDE THE U.S.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the PRSUs granted to Participant under the Plan if Participant resides and/or works in one of the countries below. This Appendix forms part of the Agreement. Any capitalized term used in this Appendix without definition will have the meaning ascribed to it in the Notice, the Agreement or the Plan, as applicable.

If Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency between countries after the Date of Grant, Workday will, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to Participant under these circumstances.

Notifications

This Appendix also includes information relating to exchange control, foreign asset/account reporting requirements and other issues of which Participant should be aware with respect to Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of September 2019. Such laws are often complex and change frequently. As a result, Participant should not rely on the information herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Participant vests in the PRSUs or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to Participant's particular situation, and Workday is not in a position to assure Participant of any particular result. Accordingly, Participant should seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency after the Date of Grant, the information contained herein may not apply to Participant in the same manner.

AUSTRALIA

Terms and Conditions

Australia Class Order Exemption. The offer of the PRSUs is intended to comply with the provisions of the Corporations Act 2001, Australian Securities & Investments Commission (“**ASIC**”) Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the offer of Restricted Stock Units to Australian Resident Employees, which is provided to Participant with this Agreement.

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act).

AUSTRIA

Notifications

Exchange Control Information. If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside of Austria, Participant will be required to report certain information to the Austrian National Bank as follows: (i) on a quarterly basis if the value of the Shares as of the last day of any given quarter exceeds €30,000,000; and (ii) on an annual basis if the value of the shares as of December 31 exceeds €5,000,000. The deadline for filing the annual report is January 31 of the following year.

In addition, when the Shares are sold or a dividend is received, Participant may be required to comply with certain exchange control obligations if the cash proceeds from the sale are held outside of Austria. If the transaction volume of all accounts abroad meets or exceeds €10,000,000, the movement and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month on the prescribed form (*Meldungen SI-Forderungen und/oder SI-Verpflichtungen*).

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. If Participant is a Belgian resident, Participant is required to report any securities (*e.g.*, Shares acquired under the Plan) or bank account (including any brokerage account Participants holds at Morgan Stanley or other stock plan service provider as may be selected by Workday in the future) held outside Belgium on Participant’s annual tax return. In a separate report, Belgian residents are required to provide the National Bank of Belgium with the account details of any such foreign accounts (including the account number, bank name and country in which any such account was opened). This report, as well as additional information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be.

CANADA

Terms and Conditions

Vesting/Termination. This provision supplements Sections 1 and 6 of the Agreement:

For purposes of the Award, the Participant's employment relationship will be considered terminated as of the date that is the earlier of (i) the date of the Participant's termination, (ii) the date the Participant receives notice of termination, or (iii) the date the Participant is no longer actively providing services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under Canadian laws or the terms of the Participant's employment agreement, if any); in the event that the date the Participant is no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the PRSUs (including whether the Participant may still be considered to be providing services while on a leave of absence).

Settlement.

This provision supplements Section 2 of the Agreement:

Notwithstanding any discretion set forth in Section 9.1 of the Plan, the PRSUs are payable in Shares only, and a grant of PRSUs does not provide any right for Participant to receive a cash payment or a combination of a cash payment and Shares.

The following provisions apply to Participants in Quebec:

Data Privacy. The following provision supplements Section 10 of the Agreement.

Participant hereby authorizes Workday and Workday's representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. Participant further authorizes Workday, the Employer and/or any other Parent or Subsidiary to disclose and discuss such information with their advisors. Participant also authorizes Workday, the Employer and/or any other Parent or Subsidiary to record such information and to keep such information in Participant's employment file.

Language Consent to Receive Information in English for Quebec Participants. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement Relatif à la Langue Utilisée. Les parties reconnaissent avoir exigé que cette convention [**"Agreement"**], ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Notifications

Securities Law Information. Participant understands he or she is permitted to sell Shares acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the Nasdaq Global Select Market (the "**Nasdaq**").

Foreign Asset/Account Reporting Information. Canadian residents are required to report foreign specified property, including Shares and rights to receive Shares (e.g., PRSUs), on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time during the year. PRSUs must be reported (generally, at a nil cost) if the C\$100,000 cost threshold is exceeded because of other foreign specified property held by Participant. When Shares are acquired, their cost generally is the adjusted cost base (“**ACB**”) of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares.

CHINA

Terms and Conditions

*The following provisions govern Participant’s participation in the Plan only if Participant is subject to exchange control restrictions in the People’s Republic of China (“**China**”), as determined by Workday in its sole discretion.*

Vesting and Settlement Conditions. This section supplements Sections 1 and 2 of the Agreement:

Workday is under no obligation to vest PRSUs or issue Shares unless and until its registration application is approved by the Chinese State Administration of Foreign Exchange (“**SAFE**”). Further, at Workday’s discretion, PRSUs will not vest and Shares will not be issued if, at the time Participant’s PRSUs are otherwise scheduled to vest, the SAFE registration has become invalid or ceased to be effective for any reason. Further, PRSUs will not vest and the underlying Shares will not be issued unless and until Workday determines that such vesting and issuance of Shares complies with all relevant laws and regulations.

Required Sale of Shares. Due to exchange control laws in China, Workday may require that any Shares acquired upon the vesting and settlement of PRSUs be immediately sold. Workday is authorized to instruct Morgan Stanley or such other broker as may be selected by Workday to assist with the mandatory sale of such Shares (on Participant’s behalf pursuant to this authorization), and Participant expressly authorizes such broker to complete the sale of such Shares. In this regard, Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by Workday (or Workday’s designated broker) to effectuate the sale of the Shares (including, without limitation, with respect to the transfers of the proceeds and other exchange control matters noted below) and otherwise cooperate with Workday on such matters, provided Participant will not be permitted to exercise any influence over how, when or whether the sales occur. Participant acknowledges that Morgan Stanley or such other designated broker as may be selected by Workday is under no obligation to arrange for the sale of the Shares at any particular price.

Alternatively, if Workday, in its discretion, does not exercise its right to require the automatic sale of Shares issuable upon vesting of the PRSUs, as described in the preceding paragraph, any Shares acquired by Participant under the Plan must be sold no later than six months from the date of Termination, or within any other such time frame as may be permitted by Workday or required by SAFE. Any Shares acquired by Participant under the Plan that have not been sold within six months of the date of Termination shall be automatically sold by Morgan Stanley or such other broker as may be selected by Workday pursuant to this authorization and subject to the terms of the preceding paragraph. Upon the sale of the Shares, Workday agrees to pay the cash proceeds from the sale (less any applicable Tax-Related Items, brokerage fees and commissions) to Participant in accordance with applicable exchange control laws and regulations including, but not limited to, the restrictions set forth under the “Exchange Control Restrictions” section immediately below.

Exchange Control Requirements. Participant understands and agrees that, due to exchange control laws in China, Participant will be required to immediately repatriate to China the cash proceeds from the sale of Shares or any dividends paid on such Shares. Participant further understands that, under local law, such repatriation of the cash proceeds will need to be effected through a special exchange control account established by Workday, the Employer or another Subsidiary, and Participant hereby consents and agrees that the proceeds from the sale of Shares will be transferred to such special account prior to being delivered to Participant. Participant also understands that Workday will deliver the proceeds to Participant as soon as possible, but there may be delays in distributing the funds to Participant due to exchange control requirements in China. The proceeds may be paid in U.S. dollars or local currency, at Workday's discretion. If the proceeds are paid in U.S. dollars, Participant understands that Participant may be required to open a U.S. Dollar bank account in China into which the proceeds can be deposited. If the proceeds are converted to local currency, Participant acknowledges that Workday is under no obligation to secure any particular currency conversion rate, and that it may face delays in converting the proceeds to local currency. Participant will bear the risk of any currency conversion rate fluctuation between the date that the Shares are sold and the date of conversion of the proceeds to local currency. Participant must comply with any other requirements imposed by Workday in the future in order to facilitate compliance to the exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Information. Upon request of the Czech National Bank, Participant may be required to file a report in connection with the PRSUs and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult with his or her personal advisor before vesting of the PRSUs and before opening any foreign accounts in connection with the PRSUs to ensure compliance with current regulations. Participant is responsible for complying with applicable Czech exchange control laws.

DEMARK

Terms and Conditions

Danish Stock Option Act. Participant acknowledges that he or she has received the Employer Statement in Danish which sets forth additional information about the PRSUs to the extent that the Danish Stock Option Act (the "*Act*") applies.

Participant understands that the Act only applies to "employees" as that term is defined in Section 2 of the Act. If Participant is a member of the registered management of a Parent or Subsidiary in Denmark or otherwise does not satisfy the definition of employee, he or she is not subject to the Act and the Employer Statement will not apply to him or her.

Further, the Act has been revised with effect from 1 January 2019. As a result of the amendments, the termination provision under the Plan will apply to any PRSUs granted after 1 January 2019. The relevant termination provisions are detailed in the Plan and the Employer Statement.

Nature of Grant. The following provision supplements Section 8 of the Agreement:

By accepting the PRSUs, Participant acknowledges, understands and agrees that this grant relates to future services to be performed and is not a bonus or compensation for past services.

Notifications

Foreign Asset/Account Reporting Information. If the Participant establishes an account holding Shares or cash outside Denmark, the Participant must report the account to the Danish Tax Administration. The form may be obtained from a local bank.

FINLAND

There are no country-specific provisions.

FRANCE

Terms and Conditions

Language Consent. By accepting the PRSUs, Participant confirms having read and understood the Plan and this Agreement, which were provided in the English language. Participant accepts the terms of those documents accordingly.

*Consentement Relatif à la Langue Utilisée. En acceptant ces Droits sur des Actions Assujetties à des Restrictions [“**PRSUs**”], le Participant confirme avoir lu et compris le Plan et le présent Contrat d’Attribution qui ont été transmis en langue anglaise. Le Participant accepte les termes et conditions de ces documents en connaissance de cause.*

Notifications

Foreign Asset/Account Reporting Information. If Participant holds securities (including Shares purchased under the Plan) or maintains a foreign bank account, Participant is required to report these to the French tax authorities when filing Participant’s annual tax return.

GERMANY

Notifications

Exchange Control Information. Cross border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). Participant understands that in the event he or she receives a payment in excess of this amount in connection with the sale of securities (including Shares acquired under the Plan), Participant must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

Foreign Asset/Account Reporting Information. If Participant’s acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, Participant will need to report the acquisition when he or she files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event that Participant holds Shares exceeding 10% of the total capital of Workday. However, if the Shares are listed on a recognized U.S. stock exchange and Participant owns less than 1% of Workday, this requirement will not apply to him or her. If applicable, Participant will be responsible for obtaining the appropriate form from a German federal bank and complying with the reporting obligations.

GREECE

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Securities Law Information. *WARNING: The grant of the PRSUs under the Plan and the Shares subject to the PRSUs do not constitute a public offer of securities under Hong Kong law and are available only to employees of Workday, its Subsidiaries and any Parent. This Agreement and the Plan and any other incidental communication materials distributed in connection with the Plan (i) have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong, (ii) have not been reviewed by any regulatory authority in Hong Kong, and (iii) are intended only for the personal use of eligible employees of Workday, its Subsidiaries and any Parent, and may not be distributed to any other person.*

Participant is advised to exercise caution in relation to the right to acquire Shares. If Participant is in any doubt about any of the contents of this Agreement, the Plan or any other incidental communication materials distributed in connection with the Plan, Participant should obtain independent professional advice.

Sale of Shares. By accepting the PRSUs, Participant agrees that in the event Shares are issued in respect of the PRSUs within six months of the Date of Grant, Participant will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

INDIA

Notifications

Exchange Control Information. Participants resident in India are required to repatriate to India any funds received under the Plan within such period of time prescribed under applicable Indian exchange control regulations, as may be amended from time to time. Upon repatriation, a foreign inward remittance certificate (“**FIRC**”) will be issued by the bank where the foreign currency is deposited. The FIRC should be retained as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation. It is Participant’s responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. Indian residents must declare the following items in their annual tax returns: (i) any foreign assets held (including Shares acquired under the Plan), and (ii) any foreign bank accounts for which the resident has signing authority. It is Participant’s responsibility to comply with applicable tax laws in India. Participant should consult with a personal tax advisor to ensure proper reporting of foreign assets and bank accounts.

INDONESIA

Terms and Conditions

Language Consent. By accepting the Award, Participant (i) confirms having read and understood these documents provided in the English language, (ii) accepts the terms of these documents accordingly, and (iii) agrees not to challenge the validity of these documents based on Law No. 24 of 2009 on National Flag, Language, Coat of Arms and National Anthem or the implementing Presidential Regulation (when issued).

Persetujuan dan Pemberitahuan Bahasa. Dengan menerima Penghargaan ini, (i) anda mengkonfirmasi bahwa anda telah membaca dan mengerti isi dokumen yang terkait dengan pemberian Penghargaan ini (yaitu Rencana dan Perjanjian Opsi Saham) yang disediakan untuk anda dalam bahasa Inggris, (ii) anda menerima persyaratan di dalam dokumen-dokumen tersebut, dan (iii) anda setuju bahwa anda tidak akan mengajukan keberatan atas keberlakuan dari dokumen ini berdasarkan Undang-Undang No. 24 tahun 2009 tentang Bendera, Bahasa dan Lambang Negara serta Lagu Kebangsaan atau peraturan pelaksana dari Peraturan Presiden (ketika diterbitkan nantinya).

Notifications

Exchange Control Information. Foreign exchange activity is subject to certain reporting requirements. For foreign currency transactions exceeding USD 25,000, the underlying document of that transaction will have to be submitted to the relevant local bank. If Participant repatriates funds (e.g., proceeds from the sale of Shares) into Indonesia, the Indonesian bank through which the transaction is made will submit a report of the transaction to the Bank of Indonesia.

For transactions of USD 10,000 or more (or its equivalent in other currency), a more detailed description of the transaction must be included in the report and Participant may be required to provide information about the transaction to the bank in order to complete the transaction.

IRELAND

Notifications

Director Notification Requirement. If Participant is a director, shadow director or secretary of an Irish Parent or Subsidiary, Participant must notify the Irish Parent or Subsidiary in writing upon (i) receiving or disposing of an interest in Workday (e.g., PRSUs, Shares, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director or secretary if such an interest exists at the time, in each case if the interest represents more than 1% of Workday's share capital or voting rights. This notification requirement also applies with respect to the interests of any spouse or minor children (whose interests will be attributed to the director, shadow director or secretary).

ITALY

Terms and Conditions

Plan Document Acknowledgement. Participant acknowledges that by accepting the PRSUs, Participant has been given access to the Plan document, have reviewed the Plan and this Agreement in their entirety and fully understand and accept all provisions of the Plan and this Agreement. Further, Participant acknowledges that he or she has read and expressly approves the following sections of the Agreement: Section 1. Terms; Section 2. Settlement; Section 4. Dividend Equivalents; Section 6. Termination; Section 7. Responsibility for Taxes; Section 8. Nature of Grant; Section 9. No Advice Regarding Grant; Section 10. Data Privacy; Section 11. Language; Section 13. Imposition of Other Requirements; Section 17. Governing Law and Venue; Section 18. No Rights as Employee, Director or Consultant; and Section 23 Acknowledgement; Consent to Electronic Delivery of All Plan Documents and Disclosures.

Notifications

Foreign Asset/Account Reporting Information. Participant understands that if Participant is an Italian resident and at any time during the fiscal year Participant holds foreign financial assets (including cash and Shares) which may generate income taxable in Italy, Participant is required to report these assets on Participant's annual tax return (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets, even if Participant does not directly hold investments abroad or foreign assets.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. Participant understands that if Participant holds assets outside of Japan (e.g., Shares acquired under the Plan) with a total net fair market value exceeding ¥50,000,000 (or an equivalent amount in foreign currency) as of December 31 each year, Participant is required to report the details of such assets to the Japanese tax authorities by March 15th of the following year. Participant acknowledges that he or she should consult with Participant's personal tax advisor to determine Participant's personal reporting obligations.

LATVIA

There are no country-specific provisions.

MALAYSIA

Terms and Conditions

Data Privacy. *The following provision replaces Section 10 of the Agreement:*

Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other PRSU grant materials by and among, as applicable, Workday, the Employer and any other Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that Workday, the Employer and any other Parent or Subsidiary may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in Workday, details of all PRSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan. The source of the Data is the Employer, as well as information which Participant is providing to Workday and the Employer in connection with the Plan and this Agreement.

Participant understands that Data will be transferred to Morgan Stanley or such other stock plan service provider as may be selected by Workday in the future, which is assisting Workday with the implementation, administration and management of the Plan. Participant further understands that Workday, the Employer and any other Parent or Subsidiary will transfer Data among themselves as necessary for the purpose of the implementation, administration and management of Participant's participation in the Plan, and that Workday, the Employer and any other Parent or Subsidiary may each further transfer Data to third parties assisting Workday in the implementation, administration and management of the Plan, including any requisite transfer to a broker or another third party with whom Participant may elect to deposit any Shares acquired under the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative, Cynthia Chan, email address is cynthia.chan@workday.com. Participant authorizes Workday, Morgan Stanley and any other possible recipients which may assist Workday (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a third party with whom the Participant may elect to deposit any Shares acquired upon vesting of the Restricted Stock Units.

Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be affected; the only consequence of refusing or withdrawing Participant's consent is that Workday would not be able to grant Participant PRSUs or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

Malaysian Translation

Peserta dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi Peserta seperti yang diterangkan dalam Perjanjian dan apa-apa bahan geran PRSU lain oleh dan di antara, seperti mana yang terpakai, Workday, Majikan dan mana-mana Syarikat Induk atau Anak-Anak Syarikatnya untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan.

Peserta memahami bahawa Workday, Majikan dan mana-mana Syarikat Induk atau Anak-Anak Syarikat mungkin memegang maklumat peribadi tertentu tentang Peserta, termasuk, tetapi tidak terhad kepada, nama Peserta, alamat rumah dan nombor telefon, alamat emel, tarikh lahir, nombor insurans sosial atau nombor pengenalan lain (seperti, nombor pendaftaran penduduk tetap atau nombor kad pengenalan), gaji, kewarganegaraan, jawatan, apa-apa syer dalam saham atau jawatan pengarah yang dipegang di Workday, butir-butir semua PRSUs atau apa-apa hak lain atas syer dalam saham yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun yang belum dijelaskan bagi faedah Peserta ("Data"), untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan. Sumber Data adalah daripada Majikan, dan juga maklumat yang Peserta berikan kepada Workday dan Majikan berhubung dengan Pelan dan Perjanjian ini.

Peserta memahami bahawa Data ini akan dipindahkan kepada Morgan Stanley atau pembekal perkhidmatan pelan saham yang ditetapkan oleh Workday pada masa depan yang membantu Workday dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Peserta memahami selanjutnya bahawa Workday, Majikan dan Syarikat Induk atau Anak-Anak Syarikat lain akan memindah Data sesama mereka seperti diperlukan untuk tujuan melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan, dan Workday, Majikan dan Syarikat Induk atau Anak-Anak Syarikat yang lain masing-masing boleh memindah Data kepada pihak-pihak ketiga yang membantu Workday dalam pelaksanaan, pentadbiran dan pengurusan Pelan, termasuk pemindahan yang diperlukan kepada broker atau pihak ketiga yang lain yang mana Peserta boleh memilih untuk menandatangani Syer-Syer yang diperolehi daripada Pelan. Peserta memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau mana-mana tempat lain dan bahawa negara penerima-penerima mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Peserta. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh meminta satu senarai yang mengandungi nama dan alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan Peserta Cynthia Chan, alamat emel cynthia.chan@workday.com. Peserta memberi kuasa kepada Workday, Morgan Stanley dan mana-mana penerima-penerima lain yang mungkin membantu Workday (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, semata-mata dengan tujuan untuk melaksanakan, mentadbir dan menguruskan penyertaan Peserta dalam Pelan, termasuk apa-apa pemindahan Data yang diperlukan kepada pihak ketiga yang lain dengan sesiapa yang Peserta pilih untuk deposit apa-apa Saham yang diperolehi selepas terletak hak PRSUs.

Peserta memahami bahawa Data hanya akan disimpan untuk tempoh yang perlu bagi melaksanakan, mentadbir, dan menguruskan penyertaan Peserta dalam Pelan. Peserta memahami bahawa sekiranya Peserta menetap di luar Amerika Syarikat, Peserta boleh, pada bila-bila masa, melihat Data, meminta maklumat tambahan mengenai penyimpanan dan pemprosesan Data, meminta bahawa pindaan-pindaan dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis wakil sumber manusia tempatan Peserta. Peserta selanjutnya memahami bahawa Peserta memberi persetujuan ini secara sukarela. Sekiranya Peserta tidak bersetuju, atau kemudian membatalkan persetujuannya, status pekerjaan atau perkhidmatan Peserta dengan Majikan tidak akan terjejas; satunya akibat jika Peserta tidak bersetuju atau menarik balik persetujuan Peserta adalah bahawa Workday tidak akan dapat menganugerahkan kepada Peserta PRSUs atau anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah tersebut. Oleh itu, Peserta memahami bahawa keengganan atau penarikan balik persetujuan Peserta boleh menjejaskan keupayaannya untuk mengambil bahagian dalam Pelan. Untuk maklumat lanjut mengenai akibat keengganan Peserta untuk memberikan keizinan atau penarikan balik keizinan, Peserta memahami bahawa Peserta boleh menghubungi wakil sumber manusia tempatan Peserta.

Notifications

Director Notification Obligation. Directors of Workday's Malaysian Subsidiary are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify such entity in writing within 14 business days of the acquisition or disposal of an interest (e.g., PRSUs granted under the Plan or Shares) in Workday or any related company.

MEXICO

Terms and Conditions

Plan Document Acknowledgement. By accepting the PRSUs, Participant acknowledges that he or she has received a copy of the Plan and the Agreement, which Participant has reviewed. Participant acknowledges further that he or she accepts all the provisions of the Plan and the Agreement. Participant also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in Section 8 (“Nature of Grant”) in the Agreement, which clearly provides as follows:

- (1) Participant’s participation in the Plan does not constitute an acquired right;
- (2) The Plan and Participant’s participation in the Plan are offered by Workday on a wholly discretionary basis;
- (3) Participant’s participation in the Plan is voluntary; and
- (4) Workday and its Subsidiaries are not responsible for any decrease in the value of any Shares acquired at vesting and settlement of the PRSUs.

Labor Law Policy and Acknowledgment. By accepting the PRSUs, Participant expressly recognizes that Workday, with registered offices at 6110 Stoneridge Mall Road Pleasanton, California U.S.A., is solely responsible for the administration of the Plan, and that Participant’s participation in the Plan and acquisition of Shares do not constitute an employment relationship between Participant and Workday since Participant is participating in the Plan on a wholly commercial basis and the Workday Mexico S. de R.L. de C.V. (“**Workday Mexico**”) is his or her sole employer. Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that he or she may derive from participating in the Plan do not establish any rights between Participant and Workday Mexico and do not form part of the employment conditions and/or benefits provided by Workday Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant’s employment.

Participant further understands that his or her participation in the Plan is as a result of a unilateral and discretionary decision of Workday; therefore, Workday reserves the absolute right to amend and/or discontinue Participant’s participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against Workday for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to Workday, and its Subsidiaries, affiliates, branches, representative offices, shareholders, directors, officers, employees, agents, or legal representatives with respect to any claim that may arise.

Spanish Translation

Términos y Condiciones

Reconocimiento del Plan. Al aceptar las Unidades de Acciones Restringidas de Rendimiento (“**PRSUs**”), el Participante reconoce que ha recibido y revisado una copia del Plan y del Acuerdo. El Participante reconoce, además, que acepta todas las disposiciones del Plan y del Acuerdo. El Participante también reconoce que ha leído y que concretamente aprueba de forma expresa los términos y condiciones establecidos en la Sección 8 (“Naturaleza del Otorgamiento”) del Acuerdo de Acciones Restringidas de Rendimiento, que claramente dispone lo siguiente:

- (1) La participación del Participante en el Plan no constituye un derecho adquirido;
 - (2) El Plan y la participación del Participante en el Plan se ofrecen por Workday en su discrecionalidad total;
 - (3) La participación del Participante en el Plan es voluntaria; y
 - (4) Workday y sus Subsidiarias no son responsables por ninguna disminución en el valor de las acciones adquiridas al conferir las PRSUs.
-

Política Laboral y Reconocimiento. *Al aceptar las PRSUs, el Participante expresamente reconoce que Workday, con oficinas registradas en Workday, Inc., 6110 Stoneridge Mall Road Pleasanton, California U.S.A., es la única responsable por la administración del Plan y que la participación del Participante en el Plan y la adquisición de Acciones no constituyen una relación de trabajo entre el Participante y Workday, ya que el Participante participa en el Plan en un marco totalmente comercial y Workday Mexico S. de R.L. de C.V. (“**Workday Mexico**”) es su único patrón. Derivado de lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que pudieran derivar de la participación en el Plan no establecen derecho alguno entre el Participante y el patrón, Workday Mexico, y no forma parte de las condiciones de trabajo y/o las prestaciones otorgadas por Workday Mexico, y que cualquier modificación al Plan o su terminación no constituye un cambio o impedimento de los términos y condiciones de la relación de trabajo del Participante.*

Asimismo, el Participante reconoce que su participación en el Plan es resultado de una decisión unilateral y discrecional de Workday; por lo tanto, Workday se reserva el derecho absoluto de modificar y/o terminar la participación del Participante en cualquier momento y sin responsabilidad alguna hacia el Participante.

Finalmente, el Participante por este medio declara que no se reserva ningún derecho o acción que ejercitar en contra de Workday por cualquier compensación o daños y perjuicios en relación de las disposiciones del Plan o de los beneficios derivados del Plan, y por lo tanto, el Participante exime amplia y completamente a Workday, y sus afiliadas, subsidiarias, sucursales, oficinas de representación, accionistas, directores, autoridades, empleados, agentes, o representantes legales de cualquier demanda que pudiera surgir.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

Notifications

Securities Law Information. **WARNING:** Participant is being granted PRSUs to acquire Shares in accordance with the terms of this Agreement and the Plan. The Shares, if issued, will give Participant a stake in the ownership of Workday. Participant may receive a return if dividends are paid.

If Workday runs into financial difficulties and is wound up, Participant will be paid only after all other creditors (including holders of preference shares, if any) have been paid. Participant may lose some or all of Participant’s investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, Participant may not be given all the information usually required. Participant will also have fewer other legal protections for this investment.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

The Shares are quoted on the Nasdaq. This means that if Participant acquires Shares, Participant may be able to sell the Shares on the Nasdaq if there are interested buyers. Participant may get less than he or she invested. The price will depend on the demand for the Shares.

For information on risk factors impacting Workday’s business that may affect the value of the Shares, Participant should refer to the risk factors discussion in Workday’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on Workday’s website at <http://www.workday.com/en-us/company/investor-relations/sec-filings.html>.

NORWAY

There are no country-specific provisions.

POLAND

Notifications

Exchange Control Information. Polish residents holding foreign securities (including Shares) and maintaining accounts abroad (including any brokerage account) must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (calculated individually or together with all other assets/liabilities held abroad) exceeds a specified threshold (currently PLN7,000,000). If required, the reports are due on a quarterly basis on special forms available on the website of the National Bank of Poland.

In addition, any transfer of funds in excess of a specified threshold (currently €15,000, but if such transfer is connected with business activity of an entrepreneur, PLN15,000) must be effected through a bank account in Poland. Participant should maintain evidence of such foreign exchange transactions for five years, in case of a request for their production by the National Bank of Poland.

SINGAPORE

Restriction on Sale of Shares. To the extent the PRSUs vest within six months of the Date of Grant, Participant may not dispose of the Shares issued upon settlement of the PRSUs, or otherwise offer the Shares to the public, prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) (“SFA”) and in accordance with any other applicable provision of the SFA.

Notifications

Securities Law Information. The grant of PRSUs under the Plan is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of SFA and are not made with a view to the PRSUs or the underlying Shares being subsequently offered for sale to any other party. The Plan has not been, and will not be, lodged or registered as a prospectus with the Monetary Authority of Singapore.

Chief Executive Officer and Director Notification Obligation. The Chief Executive Officer (“**CEO**”), directors, associate directors or shadow directors of a Singapore Parent or Subsidiary are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify such entity in writing within two business days of any of the following events: (i) the acquisition or disposal of an interest (*e.g.*, PRSUs granted under the Plan or Shares) in Workday or any Parent or Subsidiary, (ii) any change in previously-disclosed interests (*e.g.*, sale of Shares), or (iii) becoming a CEO, director, associate director or shadow director of a Parent or Subsidiary in Singapore, if the individual holds such an interest at that time. These notification requirements apply regardless of whether the CEO or directors are residents of or employed in Singapore.

SOUTH AFRICA

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 7 of the Agreement:

By accepting the PRSUs, Participant agrees to immediately notify the Employer of the amount of any gain realized upon vesting of the PRSUs. If Participant fails to advise the Employer of the gain realized upon vesting of the PRSUs, then he or she may be liable for a fine. Participant will be solely responsible for paying the difference between the actual tax liability and the amount withheld by Workday or the Employer.

Notifications

Securities Law Information. In compliance with South African securities law, the documents listed below are available for Participant's review on Workday's website at <https://www.workday.com/en-us/company/investor-relations.html> and on Workday's intranet, respectively:

1. Workday's most recent annual financial statements; and
2. Workday's most recent Plan prospectus.

A copy of the above documents will be sent to Participant free of charge on written request to Workday's Global Stock Administration by logging a People Guide Request in Service Hub.

Participant should carefully read the materials provided before making a decision whether to participate in the Plan.

Exchange Control Information. Participant is solely responsible for complying with applicable South African exchange control regulations. As the exchange control regulations are subject to change, Participant should consult Participant's legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure compliance with current regulations.

SOUTH KOREA

Notifications

Foreign Asset/Account Reporting Information. Korean residents must declare all foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the monthly balance of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency) on any month-end date during a calendar year.

SPAIN

Terms and Conditions

Nature of Grant. This provision supplements Section 8 of the Agreement:

By accepting the PRSUs, Participant consents to participating in the Plan and acknowledges that he or she has received a copy of the Plan.

Participant understands that Workday has unilaterally, gratuitously and discretionally decided to grant PRSUs to acquire Shares under the Plan to individuals who may be Employees, Consultants, Directors or Non-Employee Directors of Workday or any Parent or Subsidiary throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind Workday or any Parent or Subsidiary. Consequently, Participant understands that the PRSUs are granted on the assumption and condition that the PRSUs and any Shares acquired at vesting of the PRSUs are not part of any employment or service agreement (either with Workday or any Parent or Subsidiary) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever.

In addition, Participant understands that the PRSUs would not be granted to Participant but for the assumptions and conditions referred to herein; thus, Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of or right to PRSUs shall be null and void.

Further, Participant acknowledges, understands and agrees that Participant will not be entitled to continue vesting in any PRSUs once Participant's employment or service Terminates. This will be the case, for example, even in the event of a Termination of a Participant by reason of, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause or adjudged/recognized to be without good cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective dismissal on objective grounds, whether adjudged and/or recognized to be with or without cause, material modification of the terms of employment or service under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Notifications

Securities Law Information. The PRSUs do not qualify under Spanish law as securities. No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. The Plan, this Agreement and any other PRSU grant documents have not been nor will they be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and do not constitute a public offering prospectus.

Exchange Control Information. Participant must declare the acquisition, ownership and sale of Shares to the *Spanish Dirección General de Comercio e Inversiones* (the "**DGCI**") of the Ministry of Economy and Competitiveness for statistical purposes. Generally, the declaration must be filed in January for Shares owned as of December 31 of the prior year on a Form D-6; however, if the value of the Shares purchased under the Plan or sold exceeds €1,502,530, the declaration must be filed within one month of the acquisition or sale, as applicable.

Further, Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), any foreign instruments (*e.g.*, Shares) and any transactions with non-Spanish residents (including any payments of cash or Shares made to Participant by Workday or any U.S. brokerage account) if the balances in such accounts together with the value of such instruments as of December 31, or the volume of transactions with non-Spanish residents during the prior or current year, exceeds €1,000,000.

Foreign Asset/Account Reporting Information. To the extent Participant holds assets (*e.g.*, cash or Shares held in a bank or brokerage account) outside Spain with a value in excess of €50,000 per type of asset (*e.g.*, cash or Shares) as of December 31 each year, Participant is required to report information on such rights and assets on his or her tax return for such year. After such rights or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. The reporting must be completed by March 31 following the end of the relevant tax year.

SWEDEN

Terms and Conditions

Authorization to Withhold. This provision supplements Section 7 of the Agreement.

Without limiting Workday's and the Employer's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 7 of the Agreement, in accepting the grant of PRSUs, Participant authorizes Workday and/or the Employer to withhold Shares or to sell Shares otherwise deliverable to Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether Workday and/or the Employer have an obligation to withhold such Tax-Related Items.

SWITZERLAND

Notifications

Securities Law Information. The grant of the PRSUs is not intended to be publicly offered in or from Switzerland. Neither this document nor any other materials relating to the PRSUs constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the PRSUs may be publicly distributed nor otherwise made publicly available in Switzerland. Further, neither this document nor any other offering or marketing material relating to the grant of PRSUs have been or will be filed with, approved or supervised by the Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

THAILAND

Notifications

Exchange Control Information. Participant must repatriate the proceeds from the sale of Shares and any cash dividends received in relation to the Shares to Thailand immediately upon receipt if the amount of such proceeds received in a single transaction is US\$50,000 or more. Participant must then either convert the funds to Thai Baht or deposit the proceeds in a foreign currency deposit account maintained by a bank in Thailand within 360 days of remitting the proceeds to Thailand. If the amount of the proceeds is equal to or greater than US\$50,000, Participant must specifically report the inward remittance to the Bank of Thailand on a Foreign Exchange Transaction Form.

If Participant does not comply with this obligation, Participant may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, Participant should consult a legal advisor before selling Shares to ensure compliance with current regulations. It is Participant's responsibility to comply with exchange control laws in Thailand, and neither Workday nor the Employer will be liable for any fines or penalties resulting from Participant's failure to comply with applicable laws.

UNITED KINGDOM

Terms and Conditions

The following terms and conditions apply only if Participant is an Employee. No grants under this Agreement will be made to Consultants or Directors resident in the United Kingdom.

Settlement. This provision supplements Section 2 of the Agreement:

Notwithstanding any discretion set forth in Section 9.1 of the Plan, the PRSUs are payable in Shares only. A grant of PRSUs does not provide any right for Participant to receive a cash payment or a combination of a cash payment and Shares.

Responsibility for Taxes. This provision supplements Section 7 of the Agreement:

Without limitation to Section 7 of the Agreement, Participant agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by Workday or the Employer or by Her Majesty's Revenue and Customs ("**HMRC**") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified Workday and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of Workday (within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In the event that Participant is a director or executive officer and income tax is not collected from or paid by Participant within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions ("**NICs**") may be payable. Participant understands that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying Workday or the Employer (as applicable) for the value of any employee NICs due on this additional benefit, which Workday or the Employer may obtain from Participant by any of the means referred to in the Plan or Section 7 of the Agreement.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK AWARD
GRANT NUMBER _

Unless otherwise defined herein, the terms defined in Workday’s 2012 Equity Incentive Plan (the “***Plan***”) will have the same meanings in this Notice of Restricted Stock Award and the electronic representation of this Notice of Restricted Stock Award established and maintained by Workday, Inc. (“***Workday***”) or a third party designated by Workday (the “***Notice***”).

Name:

Address:

You (“***Participant***”) have been granted an the opportunity to purchase Shares of Common Stock of Workday, Inc. (“***Workday***”) that are subject to restrictions (the “***Restricted Shares***”) and the terms and conditions of the Plan, this Notice and the attached Restricted Stock Purchase Agreement (the “***Restricted Stock Purchase Agreement***”).

Total Number of Restricted Shares Awarded:

Fair Market Value per Restricted Share: \$

Total Fair Market Value of Award: \$

Purchase Price per Restricted Share: \$

Total Purchase Price for all Restricted Shares: \$

Date of Grant:

Vesting Commencement Date:

Vesting Schedule: Subject to the limitations set forth in this Notice, the Plan and the Restricted Stock Purchase Agreement, the Restricted Shares will vest and the right of repurchase will lapse, in whole or in part, in accordance with the following schedule:

By accepting (whether in writing, electronically or otherwise) the opportunity to purchase the Restricted Shares, Participant acknowledges and agrees to the following:

Participant understands that Participant's employment or consulting relationship or service with Workday or a Parent or Subsidiary of Workday is for an unspecified duration, can be terminated at any time (i.e., is "at-will"), and that nothing in this Notice, the Restricted Stock Purchase Agreement or the Plan changes the at-will nature of that relationship. Participant acknowledges that the vesting of the Restricted Shares pursuant to this Notice is earned only by continuing service as an Employee, Director or Consultant of Workday or a Parent or Subsidiary of Workday. Participant also understands that this Notice is subject to the terms and conditions of both the Restricted Stock Purchase Agreement and the Plan, both of which are incorporated herein by reference. Participant has read both the Restricted Stock Purchase Agreement and the Plan. By acceptance of this opportunity to purchase the Restricted Shares, Participant consents to the electronic delivery of the Notice, the Restricted Stock Purchase Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of Workday, and all other documents that Workday is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Restricted Shares. Electronic delivery may include the delivery of a link to a Workday intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Workday's discretion. If the Restricted Stock Purchase Agreement is not executed by Participant within thirty (30) days of the Date of Grant above, then this grant will be void.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK PURCHASE AGREEMENT

THIS RESTRICTED STOCK PURCHASE AGREEMENT (this “**Agreement**”) is made by and between Workday, Inc., a Delaware corporation (“**Workday**”), and Participant pursuant to Workday’s 2012 Equity Incentive Plan (the “**Plan**”). Unless otherwise defined herein, the terms defined in the Plan will have the same meanings in this Agreement.

1. Sale of Stock. Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below) Workday will issue and sell to Participant, and Participant agrees to purchase from Workday the number of Shares shown on the Notice of Restricted Stock Award (the “**Notice**”) at the purchase price per Share set forth in the Notice. The per Share purchase price of the Shares will be not less than the par value of the Shares as of the date of the offer of such Shares to the Participant. The term “Shares” refers to the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which Participant is entitled by reason of Participant’s ownership of the Shares.

2. Time and Place of Purchase. The purchase and sale of the Shares under this Agreement will occur at the principal office of Workday simultaneously with the execution of this Agreement by the parties, or on such other date as Workday and Participant will agree (the “**Purchase Date**”). On the Purchase Date, Workday will issue a stock certificate registered in Participant’s name, or uncertificated shares designated for the Participant in book entry form on the records of Workday’s transfer agent, representing the Shares to be purchased by Participant against payment of the purchase price therefor by Participant by (a) check made payable to Workday, (b) Participant’s personal services that the Committee has determined have already been rendered to Workday and have a value not less than aggregate par value of the Shares to be issued Participant, or (c) a combination of the foregoing. If Participant has previously rendered services to Workday, the purchase price will be paid pursuant to (b) above.

3. Restrictions on Resale. By signing this Agreement, Participant agrees not to sell any Shares acquired pursuant to the Plan and this Agreement at a time when applicable laws, regulations or Workday or underwriter trading policies prohibit exercise or sale. This restriction will apply as long as Participant is providing service to Workday or a Subsidiary of Workday.

3.1 Repurchase Right on Termination Other Than for Cause. For the purposes of this Agreement, a “**Repurchase Event**” will mean an occurrence of one of the following:

- (i) termination of Participant’s service, whether voluntary or involuntary and with or without cause;
- (ii) resignation, retirement or death of Participant; or
- (iii) any attempted transfer by Participant of the Shares, or any interest therein, in violation of this Agreement.

Upon the occurrence of a Repurchase Event, Workday will have the right (but not an obligation) to purchase the Shares of Participant at a price equal to the Purchase Price per Share (the “**Repurchase Right**”). The Repurchase Right will lapse in accordance with the vesting schedule set forth in the Notice. For purposes of this Agreement, “**Unvested Shares**” means Stock pursuant to which Workday’s Repurchase Right has not lapsed.

3.2 Exercise of Repurchase Right. Unless Workday provides written notice to Participant within 90 days from the date of termination of Participant's service to Workday that Workday does not intend to exercise its Repurchase Right with respect to some or all of the Unvested Shares, the Repurchase Right will be deemed automatically exercised by Workday as of the 90th day following such termination, provided that Workday may notify Participant that it is exercising its Repurchase Right as of a date prior to such 90th day. Unless Participant is otherwise notified by Workday pursuant to the preceding sentence that Workday does not intend to exercise its Repurchase Right as to some or all of the Unvested Shares, execution of this Agreement by Participant constitutes written notice to Participant of Workday's intention to exercise its Repurchase Right with respect to all Unvested Shares to which such Repurchase Right applies at the time of Termination of Participant. Workday, at its choice, may satisfy its payment obligation to Participant with respect to exercise of the Repurchase Right by (A) delivering a check to Participant in the amount of the purchase price for the Unvested Shares being repurchased, (B) in the event Participant is indebted to Workday, canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, (C) in the event Participant purchased Unvested Shares pursuant to Section 2(b), at the time of Termination of Participant, Participant will forfeit all of Participant's Unvested Shares or (D) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Right by canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, such cancellation of indebtedness will be deemed automatically to occur as of the 90th day following termination of Participant's employment or consulting relationship unless Workday otherwise satisfies its payment obligations. As a result of any repurchase of Unvested Shares pursuant to the Repurchase Right, Workday will become the legal and beneficial owner of the Unvested Shares being repurchased and will have all rights and interest therein or related thereto, and Workday will have the right to transfer to its own name the number of Unvested Shares being repurchased by Workday, without further action by Participant.

3.3 Acceptance of Restrictions. Acceptance of the Shares will constitute Participant's agreement to such restrictions and the legending of his or her certificates or the notation in Workday's direct registration system for stock issuance and transfer of such restrictions and accompanying legends set forth in Section 4.1 with respect thereto. Notwithstanding such restrictions, however, so long as Participant is the holder of the Shares, or any portion thereof, he or she will be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a stockholder with respect thereto.

3.4 Non-Transferability of Unvested Shares. In addition to any other limitation on transfer created by applicable securities laws or any other agreement between Workday and Participant, Participant may not transfer any Unvested Shares, or any interest therein, unless consented to in writing by a duly authorized representative of Workday. Any purported transfer is void and of no effect, and no purported transferee thereof will be recognized as a holder of the Unvested Shares for any purpose whatsoever. Should such a transfer purport to occur, Workday may refuse to carry out the transfer on its books, set aside the transfer, or exercise any other legal or equitable remedy. In the event Workday consents to a transfer of Unvested Shares, all transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement, including, insofar as applicable, the Repurchase Right. In the event of any purchase by Workday hereunder where the Shares or interest are held by a transferee, the transferee will be obligated, if requested by Workday, to transfer the Shares or interest to the Participant for consideration equal to the amount to be paid by Workday hereunder. In the event the Repurchase Right is deemed exercised by Workday, Workday may deem any transferee to have transferred the Shares or interest to Participant prior to their purchase by Workday, and payment of the purchase price by Workday to such transferee will be deemed to satisfy Participant's obligation to pay such transferee for such Shares or interest, and also to satisfy Workday's obligation to pay Participant for such Shares or interest.

3.5 Assignment. The Repurchase Right may be assigned by Workday in whole or in part to any persons or organization.

4. Restrictive Legends and Stop Transfer Orders.

4.1 Legends. The certificate or certificates or book entry or book entries representing the Shares will bear or be noted by Workday's transfer agent with the following legend (as well as any legends required by applicable state and federal corporate and securities laws):

THE SHARES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN WORKDAY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF WORKDAY.

4.2 Stop-Transfer Notices. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, Workday may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if Workday transfers its own securities, it may make appropriate notations to the same effect in its own records.

4.3 Refusal to Transfer. Workday will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as the owner or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares will have been so transferred.

5. No Rights as Employee, Director or Consultant. Nothing in this Agreement will affect in any manner whatsoever the right or power of Workday, or a Parent or Subsidiary of Workday, to terminate Participant's service, for any reason, with or without cause.

6. Miscellaneous.

6.1 Acknowledgement. Workday and Participant agree that the Restricted Shares are granted under and governed by the Notice, this Agreement and by the provisions of the Plan (incorporated herein by reference). Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the Restricted Shares subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.

6.2 Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement will not be construed as a waiver of any rights of such party.

6.3 Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by Workday and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which Workday's Common Stock may be listed or quoted at the time of such issuance or transfer.

6.4 Governing Law and Venue; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision will be excluded from this Agreement, (ii) the balance of this Agreement will be interpreted as if such provision were so excluded and (iii) the balance of this Agreement will be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. Any and all disputes relating to, concerning or arising from this Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Agreement, will be brought and heard exclusively in the United States District Court for the District of New Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

6.5 Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement will be deemed to be the product of all of the parties hereto, and no ambiguity will be construed in favor of or against any one of the parties hereto.

6.6 Notices. Any notice to be given under the terms of the Plan will be addressed to Workday in care of its principal office, and any notice to be given to the Participant will be addressed to such Participant at the address maintained by Workday for such person or at such other address as the Participant may specify in writing to Workday.

6.7 Consent to Electronic Delivery of All Plan Documents and Disclosures. By Participant's acceptance (whether in writing, electronically or otherwise) of the Notice, Participant and Workday agree that this opportunity to purchase Restricted Shares is granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. Participant has reviewed the Plan, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Notice and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. Participant further agrees to notify Workday upon any change in Participant's residence address. By acceptance of this opportunity to purchase Restricted Shares, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Workday or a third party designated by Workday and consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Workday, and all other documents that Workday is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Restricted Shares and current or future participation in the Plan. Electronic delivery may include the delivery of a link to a Workday intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Workday's discretion. Participant acknowledges that Participant may receive from Workday a paper copy of any documents delivered electronically at no cost if Participant contacts Workday by telephone, through a postal service or electronic mail at Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Workday or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Workday of such revised or revoked consent by telephone, postal service or electronic mail through Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery.

6.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original and all of which together will constitute one instrument.

6.9 U.S. Tax Consequences. Upon vesting of Shares, Participant will include in taxable income the difference between the fair market value of the vesting Shares, as determined on the date of their vesting, and the price paid for the Shares. This will be treated as ordinary income by Participant and will be subject to withholding by Workday when required by applicable law. In the absence of an Election (defined below), Workday will withhold a number of vesting Shares with a fair market value (determined on the date of their vesting) equal to the minimum amount Workday is required to withhold for income and employment taxes. If Participant makes an Election, then Participant must, prior to making the Election, pay in cash (or check) to Workday an amount equal to the amount Workday is required to withhold for income and employment taxes.

7. Section 83(b) Election. Participant hereby acknowledges that he or she has been informed that, with respect to the purchase of the Shares, an election may be filed by the Participant with the Internal Revenue Service, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase (the “**Election**”). Making the Election will result in recognition of taxable income to the Participant on the date of purchase, measured by the excess, if any, of the Fair Market Value of the Shares over the purchase price for the Shares. Absent such an Election, taxable income will be measured and recognized by Participant at the time or times on which Workday’s Repurchase Right lapses. Participant is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election. PARTICIPANT ACKNOWLEDGES THAT IT IS SOLELY PARTICIPANT’S RESPONSIBILITY, AND NOT WORKDAY’S RESPONSIBILITY, TO TIMELY FILE THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF PARTICIPANT REQUESTS WORKDAY, OR ITS REPRESENTATIVE, TO MAKE THIS FILING ON PARTICIPANT’S BEHALF.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
NOTICE OF STOCK OPTION GRANT

Unless otherwise defined herein, the terms defined in the Workday, Inc. 2012 Equity Incentive Plan (the “**Plan**”) will have the same meanings in this Notice of Stock Option Grant and the electronic representation of this Notice of Global Stock Option Grant established and maintained by Workday, Inc. (“Workday”) or a third party designated by Workday (the “**Notice**”).

Name:

Address:

You (the “**Participant**”) have been granted an option to purchase shares of Common Stock of Workday under the Plan subject to the terms and conditions of the Plan, this Notice and the Stock Option Award Agreement (the “**Option Agreement**”), including any applicable country-specific provisions in the appendix attached hereto (the “**Appendix**”) which constitutes part of this Option Agreement.

Grant Number:

Date of Grant:

Vesting Commencement Date:

Exercise Price per Share:

Total Number of Shares:

Type of Option:

Non-Qualified Stock Option/Incentive Stock Option

Expiration Date:

_____, 20__; This Option expires earlier in the event of Participant’s Termination, as described in the Stock Option Agreement.

Vesting Schedule:

[Insert applicable vesting schedule]

By accepting (whether in writing, electronically or otherwise) the Option, Participant acknowledges and agrees to the following:

Participant understands that Participant’s employment or consulting relationship or service with Workday or a Parent or Subsidiary is for an unspecified duration, can be terminated at any time (*i.e.*, is at will), except where otherwise prohibited by applicable law and that nothing in this Notice, the Option Agreement or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the Options pursuant to this Notice is earned only by continuing service as an Employee, Director or Consultant of Workday or a Parent or Subsidiary. Furthermore, the period during which Participant may exercise the Option after such Termination will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant’s employment agreement. Participant also understands that this Notice is subject to the terms and conditions of both the Option Agreement and the Plan, both of which are incorporated herein by reference. Participant has read both the Option Agreement and the Plan. By accepting this Option, Participant consents to the electronic delivery as set forth in the Option Agreement.

WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
STOCK OPTION AWARD AGREEMENT

Unless otherwise defined in this Stock Option Award Agreement (the “**Agreement**”), any capitalized terms used herein will have the meaning ascribed to them in the Workday, Inc. 2012 Equity Incentive Plan (the “**Plan**”).

Participant has been granted an option to purchase Shares (the “**Option**”) of Workday, Inc. (“**Workday**”), subject to the terms and conditions of the Plan, the Notice of Stock Option Grant (the “**Notice**”) and this Option Agreement, including any applicable country-specific provisions in the appendix attached hereto (the “**Appendix**”) which constitutes part of this Option Agreement.

1. Vesting Rights. Subject to the applicable provisions of the Plan and this Option Agreement, this Option may be exercised, in whole or in part, in accordance with the schedule set forth in the Notice.

2. Termination Period.

(a) General Rule. Except as provided below, and subject to the Plan, this Option may be exercised for 180 days after Participant’s Termination with Workday. In no event will this Option be exercised later than the Expiration Date set forth in the Notice.

(b) Death; Disability. Unless provided otherwise in the Notice, upon Participant’s Termination by reason of his or her death or “permanent and total disability” as described in the Plan, or if a Participant dies within 3 months of the Termination Date, this Option may be exercised for twelve months after the Termination Date, provided that in no event will this Option be exercised later than the Expiration Date set forth in the Notice. Unless provided otherwise in the Notice, upon Participant’s Termination by reason of his or her Disability (other than a “permanent and total disability”) , this Option may be exercised for six months after the Termination Date, provided that in no event will this Option be exercised later than the Expiration Date set forth in the Notice.

(c) Cause. Upon Participant’s Termination for Cause (as defined in the Plan), the Option will expire on such date of Participant’s Termination Date.

3. Grant of Option. The Participant named in the Notice has been granted an Option for the number of Shares set forth in the Notice at the exercise price per Share in U.S. Dollars set forth in the Notice (the “**Exercise Price**”). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan will prevail. If designated in the Notice as an Incentive Stock Option (“**ISO**”), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an ISO, to the extent that it exceeds the U.S. \$100,000 rule of Code Section 422(d) it will be treated as a Nonqualified Stock Option (“**NQSO**”).

4. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set forth in the Notice and the applicable provisions of the Plan and this Option Agreement. In the event of Participant’s death, Disability, Termination for Cause or other Termination, the exercisability of the Option is governed by the applicable provisions of the Plan, the Notice and this Option Agreement.

(b) **Method of Exercise.** This Option is exercisable by delivery of an exercise notice (the “**Exercise Notice**”), which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “**Exercised Shares**”), and such other representations and agreements as may be required by Workday pursuant to the provisions of the Plan. The Exercise Notice will be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of Workday or other person designated by Workday. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any Tax-Related Items (as defined in Section 8(a) below). This Option will be deemed to be exercised upon receipt by Workday of such fully executed Exercise Notice accompanied by such aggregate Exercise Price and payment of any Tax-Related Items.

(c) No Shares will be issued pursuant to the exercise of this Option unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

- (a) cash;
- (b) check;
- (c) a “broker-assisted” or “same-day sale” (as described in Section 11(c) of the Plan); or
- (d) other method authorized by the Committee or permitted under the Plan.

6. Non-Transferability of Option. This Option may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of other than by will or by the laws of descent or distribution or court order and may be exercised during the lifetime of Participant only by Participant or unless otherwise permitted by the Committee on a case-by-case basis. The terms of the Plan and this Option Agreement will be binding upon the executors, administrators, heirs, successors and assigns of Participant.

7. Term of Option. This Option will in any event expire on the expiration date set forth in the Notice, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 5.3 of the Plan applies).

8. Tax Consequences.

(a) **Exercising the Option.** Participant acknowledges that, regardless of any action taken by Workday or a Parent or Subsidiary employing or retaining Participant (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to Participant’s participation in the Plan and legally applicable to Participant (“**Tax-Related Items**”) is and remains Participant’s responsibility and may exceed the amount actually withheld by Workday or the Employer. Participant further acknowledges that Workday and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Option, including, but not limited to, the grant, vesting or exercise of this Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Option to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that Workday and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Workday and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes Workday and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (i) withholding from Participant's wages or other cash compensation paid to Participant by Workday and/or the Employer; or
- (ii) withholding from proceeds of the sale of Shares acquired at exercise of this Option either through a voluntary sale or through a mandatory sale arranged by Workday (on Participant's behalf pursuant to this authorization) without further consent; or
- (iii) withholding in Shares to be issued upon exercise of the Option, provided Workday only withholds from the amount of Shares necessary to satisfy the minimum statutory withholding amount; or
- (iv) any other arrangement approved by the Committee.

Depending on the withholding method, Workday may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full member of Shares issued upon exercise of the Options; notwithstanding that a member of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Fair Market Value of these Shares, determined as of the effective date of the Option exercise, will be applied as a credit against the Tax-Related Items withholding.

Finally, Participant agrees to pay to Workday or the Employer any amount of Tax-Related Items that Workday or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Workday may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

(b) Notice of Disqualifying Disposition of ISO Shares. For U.S. taxpayers, if Participant sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, Participant will immediately notify Workday in writing of such disposition. Participant agrees that he or she may be subject to income tax withholding by Workday on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to Participant.

9. Nature of Grant. By accepting the Option, Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by Workday, it is discretionary in nature, and may be amended, suspended or terminated by Workday at any time, to the extent permitted by the Plan;
 - (b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;
 - (c) all decisions with respect to future Option or other grants, if any, will be at the sole discretion of Workday;
 - (d) the Option grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming an employment or service contract with Workday, the Employer or any Parent or Subsidiary;
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- (e) Participant is voluntarily participating in the Plan;
- (f) the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;
- (g) the Option and any Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;
- (i) if the underlying Shares do not increase in value, the Option will have no value;
- (j) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;
- (k) no claim or entitlement to compensation or damages will arise from forfeiture of the Option resulting from Participant's Termination, and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against Workday, any Parent or Subsidiary or the Employer, waives his or her ability, if any, to bring any such claim, and releases Workday, any Parent or Subsidiary and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- (l) unless otherwise provided in the Plan or by Workday in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (m) the following provisions apply only if Participant is providing services outside the United States:
 - (i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;
 - (ii) Participant acknowledges and agrees that neither Workday, the Employer nor any Parent or Subsidiary will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

10. No Advice Regarding Grant. Workday is not providing any tax, legal or financial advice, nor is Workday making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. Data Privacy. *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Option grant materials by and among, as applicable, the Employer, Workday and any Parent or Subsidiary of for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that Workday and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Workday, details of all Options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to Morgan Stanley Smith Barney LLC or its affiliates or such other stock plan service provider as may be selected by Workday in the future, which is assisting Workday with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes Workday, Morgan Stanley Smith Barney LLC and its affiliates, and any other possible recipients which may assist Workday (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that Workday would not be able to grant Participant options or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

12. Language. If Participant has received this Agreement, or any other document related to the Option and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

13. Appendix. Notwithstanding any provisions in this Agreement, the Option grant will be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent Workday determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

14. Imposition of Other Requirements. Workday reserves the right to impose other requirements on Participant's participation in the Plan, on the Option and on any Shares purchased upon exercise of the Option, to the extent Workday determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

15. Acknowledgement. Workday and Participant agree that the Option is granted under and governed by the Notice, this Option Agreement and by the provisions of the Plan (incorporated herein by reference). Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the Option subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.

16. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Option Agreement, nor any waiver of any rights under this Option Agreement, will be effective unless in writing and signed by the parties to this Option Agreement. The failure by either party to enforce any rights under this Option Agreement will not be construed as a waiver of any rights of such party.

17. Compliance with Laws and Regulations. The issuance of Shares and any restriction on the sale of Shares will be subject to and conditioned upon compliance by Workday and Participant with all applicable state, federal and local laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which Workday's Shares may be listed or quoted at the time of such issuance or transfer.

18. Severability. If one or more provisions of this Agreement are held to be unenforceable, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision will be excluded from this Agreement, (ii) the balance of this Agreement will be interpreted as if such provision were so excluded and (iii) the balance of this Agreement will be enforceable in accordance with its terms.

19. Governing Law and Venue. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

Any and all disputes relating to, concerning or arising from this Option Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Option Agreement, will be brought and heard exclusively in the United States District Court for the District of New Delaware or the Delaware Superior Court, New Castle County. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

20. No Rights as Employee, Director or Consultant. Nothing in this Option Agreement will affect in any manner whatsoever the right or power of Workday, or a Parent or Subsidiary, to terminate Participant's service, for any reason, with or without Cause.

21. Consent to Electronic Delivery of all Plan Documents and Disclosures. By Participant's signature and the signature of Workday's representative on the Notice, Participant and Workday agree that this Option is granted under and governed by the terms and conditions of the Plan, the Notice and this Option Agreement. Participant has reviewed the Plan, the Notice and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Notice, and fully understands all provisions of the Plan, the Notice and this Option Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Option Agreement. Participant further agrees to notify Workday upon any change in the residence address indicated on the Notice. By acceptance of this Option, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Workday or a third party designated by Workday and consents to the electronic delivery of the Notice, this Option Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Workday, and all other documents that Workday is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Option and current or future participation in the Plan. Electronic delivery may include the delivery of a link to Workday intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Workday's discretion. Participant acknowledges that Participant may receive from Workday a paper copy of any documents delivered electronically at no cost if Participant contacts Workday by telephone, through a postal service or electronic mail to stock.administration@workday.com. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Workday or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Workday of such revised or revoked consent by telephone, postal service or electronic mail through Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery.

APPENDIX
WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN
STOCK OPTION AWARD AGREEMENT

COUNTRY SPECIFIC PROVISIONS FOR EMPLOYEES OUTSIDE THE U.S.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Option granted to Participant under the Plan if Participant resides and/or works in one of the countries below. This Appendix forms part of the Option Agreement. Any capitalized term used in this Appendix without definition will have the meaning ascribed to it in the Notice, the Option Agreement or the Plan, as applicable.

If Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency between countries after the Date of Grant, Workday will, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to Participant under these circumstances.

Notifications

This Appendix also includes information relating to exchange control and other issues of which Participant should be aware with respect to Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2012. Such laws are often complex and change frequently. As a result, Workday strongly recommends that Participant not rely on the information herein as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Participant exercises the Option or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to Participant's particular situation, and Workday is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's country may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a country, or is considered resident of a country, other than the one in which Participant is currently working, or Participant transfers employment and/or residency after the Date of Grant, the information contained herein may not apply to Participant in the same manner.

CANADA

Terms and Conditions

Method of Payment. The following provision supplements Section 5 of the Option Agreement:

Due to legal restrictions in Canada, Participant is prohibited from surrendering Shares that Participant already owns or attesting to the ownership of Shares to pay the Exercise Price or any Tax-Related Items due in connection with the Option.

Data Privacy. The following provision supplements Section 11 of the Option Agreement:

Participant hereby authorizes Workday and Workday’s representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved in the administration of the Plan. Participant further authorizes Workday, the Employer and/or any Parent or Subsidiary to disclose and discuss such information with their advisors. Participant also authorizes Workday, the Employer and/or any Parent or Subsidiary to record such information and to keep such information in Participant’s employment file.

Consent to Receive Information in English for Quebec Participants. The parties acknowledge that it is their express wish that this Option Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressement souhaité que cette convention [“Option Agreement”], ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Notifications

Securities Law Information. Participant understands he or she is permitted to sell Shares acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada.

GERMANY

Notifications

Exchange Control Information. If Participant makes cross-border payments in excess of €12,500 in connection with the purchase or sale of securities (including Shares acquired under the Plan), Participant must file a monthly report with the *Servicezentrum Außenwirtschaftsstatistik*, which is the competent federal office of the *Deutsche Bundesbank* (the German Central Bank) for such notifications in Germany. Participant is responsible for satisfying the reporting obligation and should be able to obtain a copy of the form used for this purpose from the German bank Participant uses to carry out the transfer.

In addition, in the unlikely event that Participant holds Shares exceeding 10% of the total capital of Workday, Participant must report such holdings in Workday on an annual basis. Participant must also report any receivables or payables or debts in foreign currency exceeding an amount of €5,000,000 in any month.

HONG KONG

Terms and Conditions

Securities Law Information. *WARNING: The grant of the Option under the terms of the Notice, the Option Agreement, including this Appendix, and the Plan and the Shares subject to the Option do not constitute a public offer of securities and are available only to employees of Workday, a Parent or a Subsidiary.*

Please be aware that the contents of the Notice, Option Agreement, including this Appendix, and the Plan are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong, nor have they been reviewed by any regulatory authority in Hong Kong. Participant is advised to exercise caution in relation to the Option. If Participant is in any doubt about any of the contents of the Notice, the Option Agreement, including this Appendix, or the Plan, Participant should obtain independent professional advice.

Sale of Shares. By accepting the Option, Participant agrees that in the event Shares are issued in respect of the Option within six months of the Date of Grant, Participant will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

IRELAND

Notifications

Director Notification Requirement. Participant understands that if Participant is a director, shadow director or secretary of an Irish Parent or Subsidiary, Participant must notify the Irish Parent or Subsidiary in writing within five business days of receiving or disposing of an interest in Workday (e.g., options, Shares, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement, or within five business days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of any spouse or minor children (whose interests will be attributed to the director, shadow director or secretary).

NETHERLANDS

Notifications

Securities Law Information. Participant should be aware of Dutch insider trading rules, which may impact the sale of Shares acquired under the Plan. In particular, Participant may be prohibited from effecting certain transactions in the Shares if Participant has “inside information” regarding Workday.

By accepting the Option, Participant acknowledges having read and understood this Securities Law Information section and further acknowledges that it is Participant’s responsibility to comply with the following Dutch insider trading rules:

Under Article 5:56 of the Dutch Financial Supervision Act, anyone who has “inside information” related to Workday is prohibited from effectuating a transaction in securities in or from the Netherlands. “Inside information” is knowledge of a detail concerning the issuer to which the securities relate that is not public and which, if published, would reasonably be expected to affect the stock price, regardless of the development of the price. The insider could be any employee of Workday or a Parent or Subsidiary in the Netherlands who has inside information as described herein.

Given the broad scope of the definition of inside information, certain employees of Workday working at a Parent or Subsidiary in the Netherlands (including a Participant in the Plan) may have inside information and, thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when Participant had such inside information.

If it is uncertain whether the insider trading rules apply to Participant, Workday recommends that Participant consult with his or her own legal advisor. Please note that Workday cannot be held liable if Participant violates the Dutch insider trading rules. Participant is responsible for ensuring compliance with these rules.

UNITED KINGDOM

Terms and Conditions

The following terms and conditions apply only if Participant is an Employee. No grants under this Option Agreement will be made to Consultants or Directors resident in the United Kingdom.

Responsibility for Taxes. This provision supplements Section 8(a) of the Option Agreement:

If payment or withholding of the income tax is not made within ninety (90) days of the event giving rise to the Tax-Related Items or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), Participant understands and agrees that the amount of any uncollected income tax will constitute a loan owed by Participant to the Employer, effective on the Due Date. Participant understands and agrees that the loan will bear interest at the then-current Official Rate of Her Majesty’s Revenue & Customs (“HMRC”), it will be immediately due and repayable, and Workday or the Employer may recover it at any time thereafter by any of the means referred to Section 8(a) in the Option Agreement. Workday is authorized to delay the issuance of Shares to Participant unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Participant is a director or executive officer of Workday (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), Participant will not be eligible for a loan from Workday to cover the income tax due. In the event that Participant is a director or executive officer and income tax is not collected from or paid by me by the Due Date, the amount of any uncollected income tax will constitute a benefit to me on which additional income tax and national insurance contributions (“NICs”) may be payable. Participant understands that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing Workday and/or the Employer (as applicable) the value of any employee NICs due on this additional benefit.



April 6, 2019

DELIVERY VIA EMAIL

Richard Sauer

Dear Rich,

Workday, Inc. ("Workday") is happy to offer you a position as Executive Vice President, General Counsel and Corporate Secretary reporting to Robynne Sisco at Workday Headquarters in Pleasanton, California. Your planned start date is Monday, September 9, 2019.

Your annualized starting salary is \$500,000.00, which is payable according to Workday's payroll cycle, and subject to applicable federal and state taxes.

You are eligible to participate in a variable ("incentive") compensation plan, targeted at 50% of your annualized salary. This plan, including terms and conditions, shall be confirmed shortly after commencing employment.

Workday will offer you a one-time hiring bonus of \$250,000.00. This will be paid out within your first 30 days in accordance with the Company's standard payroll procedures. To receive the bonus, you must be employed by Workday and in good standing on the day of the payment. Your bonus payment will be subject to applicable federal and state taxes, and any other applicable withholdings. Receipt of this bonus, however, is conditioned on your remaining with Workday for at least one year. By signing below you expressly agree to repay Workday the entire amount of the bonus if you resign your employment within six months of your start date. You further agree to repay a prorated portion of the bonus if you resign your employment after six months but before 1 year after your start date.

Workday will provide you with relocation assistance provided by our third-party relocation partner Graebel Relocation. Please refer to the Relocation Benefit letter for an outline of the relocation benefits Workday will provide to assist you with your move. All relocation benefits are subject to federal and state taxes at supplemental rates. Workday will pay the tax gross up for any relocation benefits or reimbursed expenses. Because Workday is paying a tax gross up there is not an option to cash out any of the benefits. Employment at Workday is "at will," and you can choose to leave at any time. Receipt of Relocation Assistance, however, is conditioned upon you remaining with Workday by the terms defined in the Repayment Agreement attached to your Relocation Benefit Letter. By signing below, you expressly agree to repay Workday all costs paid to our Relocation vendor for services and expense reimbursements related to your relocation as agreed to in the Repayment Agreement.



Subject to the approval of the Company's Board of Directors or its Compensation Committee, you will be granted restricted stock units (RSUs) of the Company's Class A Common Stock with an approximate value of \$7,000,000.00. The number of shares will be determined by dividing the USD value above by the trailing simple moving average stock price of Workday Class A common stock for the 20 day period immediately preceding the Date of Grant. You will vest in these shares at the rate of 1/4 of the RSU shares after 12 months of continuous service from your vesting start date, then in equal quarterly installments of 1/16th of the total RSU shares, fully vesting in 4 years from your vesting start date. Your vesting start date will be the 15th of the month your RSU grant is approved. Your RSU grant will be subject to the terms and conditions applicable to stock granted under the Company's 2012 Equity Incentive Plan (the "Plan"), as described in the Plan and the applicable Restricted Stock Unit Agreement. Refresh grants are provided to executives in good standing and are not guaranteed. Workday's typical practice is to provide refresh grants to executives during their employment in recognition of high performance towards Company objectives.

By signing below, subject to the approval of the Company's Board of Directors or its Compensation Committee, you opt-in to the Workday, Inc. Change In Control Policy (to be provided separately). You agree to maintain your participation in and the terms of the Change In Control Policy as confidential, and disclose them only as necessary to your spouse, attorneys, financial advisors, or as otherwise required by law.

If your employment is involuntarily terminated by Workday for any reason other than for Cause or if you resign for Good Reason within two years after your start date, you will be paid a severance equivalent to (1) twelve months' base salary; (2) earned and accrued incentive compensation remaining unpaid at the time of termination, and (3) prorated incentive compensation for the fiscal year of the termination, excluding any payments already made during the fiscal year or as part of (2) above (the "Severance Payment"). The Severance Payment shall include the payments referenced in (1), (2), and (3) above, but shall not include any other form of payment or compensation. The Severance Payment shall not act to accelerate vesting of any RSUs or other form of equity. If your employment is involuntarily terminated by Workday for any reason other than for Cause within one year after your start date, Workday will additionally waive the repayment obligation associated with the one time hiring bonus referenced above. Receipt of this Severance Payment is contingent on your execution of a severance agreement, that is not revoked pursuant to its terms, within 45 days of the termination date. For purposes of this paragraph, "Cause" and "Good Reason" shall have the same definitions as provided in the Workday, Inc. Change In Control Policy dated August 29, 2017. If the Change In Control Policy is revised at a later time, the definitions from this version of the policy shall control.



Your employment with Workday is “at-will”, meaning either you or Workday may terminate your employment at any time, for any reason or no reason, with or without notice. There is no promise by Workday that your employment will continue for a set period of time or that your employment will be terminated only under particular circumstances. Any exception to this at-will employment policy can only be made in writing by the Co-President of Workday. In particular, this at-will employment policy cannot be modified by any statements, express or implied, contained in any employment handbook, application, memoranda, policy, procedure, or other materials or statements provided to you in connection with your employment.

Workday has its own way of doing business and its own unique, independently developed proprietary technology. We have neither the need nor desire to make any unauthorized use of any intellectual property or confidential information belonging to or developed by others. Workday understands the importance of protecting its own intellectual property and confidential information, and respects the intellectual property and confidential information developed by other companies. We fully expect that each person who accepts a position with us will hold themselves to these same standards. No employee should reference, use or bring into the workplace any material that contains intellectual property or confidential information belonging to a previous employer or any other third party.

The offer of employment set forth in this Letter is contingent upon: (i) your execution of Workday’s Proprietary Information and Inventions Agreement along with your execution of this letter within three (3) days; (ii) your consent to, successful completion of, and passing of all applicable background checks; and (iii) your presentation of satisfactory documentary evidence of your identity and authorization to work in the U.S. within three (3) days of your date of hire. Like all Workday employees, you are also required, as a condition of your continued employment, to comply with Workday’s Employee Handbook and Code of Conduct as they may be updated and/or revised periodically.

Sincerely,

/s/ Kristen Charlson

Kristen Charlson
Senior Partner, Executive Search

By providing my signature below, I accept this offer of employment.

Signature:

/s/ Rich Sauer

SUBSIDIARIES AS OF JANUARY 31, 2020

Name	Jurisdiction
Adaptive Insights Co., Ltd.	Japan
Adaptive Insights Limited	United Kingdom
Adaptive Insights Pty Ltd.	Australia
Adaptive Insights LLC	Delaware
Adaptive Insights, Ltd.	Canada
Canada Workday ULC	Canada
Rallyteam Software Solutions, Inc.	Canada
Rallyteam, Inc.	Delaware
Scout RFP LLC	Delaware
Scout RFP Technologies Canada Inc.	Canada
Skipflag, Inc.	Delaware
Tri-Valley Resellers, LLC	Delaware
Trusted Key Solutions Inc.	Delaware
Vineyard Sound, LLC	Delaware
Workday (Beijing) Co., Ltd.	China
Workday (NZ) Unlimited	New Zealand
Workday (Thailand) Co., Ltd.	Thailand
Workday (UK) Limited	United Kingdom
Workday Asia Pacific Limited	Hong Kong
Workday Australia Pty Ltd	Australia
Workday Austria GmbH	Austria
Workday B.V.	Netherlands
Workday Belgium SPRL	Belgium
Workday CZ s.r.o	Czech Republic
Workday Denmark ApS	Denmark
Workday España SL	Spain
Workday Finland Oy	Finland
Workday France	France
Workday Global, Inc.	Delaware
Workday GmbH	Germany
Workday India Private Limited	India
Workday International Limited	Ireland
Workday Italy S.r.l.	Italy
Workday K.K.	Japan
Workday Korea Limited	South Korea
Workday Latvia SIA	Latvia
Workday Limited	Ireland
Workday Malaysia Sdn. Bhd.	Malaysia
Workday Mexico, S. de R.L. de C.V.	Mexico
Workday Norway AS	Norway
Workday Polska sp. z o.o	Poland
Workday Singapore Pte. Ltd.	Singapore
Workday South Africa (Pty) Ltd	South Africa
Workday Sweden Aktiebolag	Sweden
Workday Switzerland GmbH	Switzerland

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-3 ASR No. 333-218426) of Workday, Inc.,
- Registration Statements (Form S-8 Nos. 333-184395, 333-187665, 333-194934, 333-203004, 333-210330, 333-216834, 333-223656, and 333-230371) pertaining to employee benefit plans of Workday, Inc., and
- Registration Statement (Form S-8 No. 333-226907) pertaining to the Adaptive Insights, Inc. 2013 Equity Incentive Plan;

of our reports dated March 3, 2020, with respect to the consolidated financial statements of Workday, Inc., and the effectiveness of internal control over financial reporting of Workday, Inc., included in this Annual Report (Form 10-K) of Workday, Inc. for the year ended January 31, 2020.

/s/ Ernst & Young LLP

San Jose, California
March 3, 2020

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aneel Bhusri, certify that:

1. I have reviewed this annual report on Form 10-K of Workday, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2020

By: /s/ Aneel Bhusri

Aneel Bhusri

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robynne D. Sisco, certify that:

1. I have reviewed this annual report on Form 10-K of Workday, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2020

By: /s/ Robynne D. Sisco

Robynne D. Sisco

Co-President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aneel Bhusri, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Workday, Inc. on Form 10-K for the year ended January 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Workday, Inc.

Date: March 3, 2020

By: /s/ Aneel Bhusri

Aneel Bhusri

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robynne D. Sisco, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Workday, Inc. on Form 10-K for the year ended January 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Workday, Inc.

Date: March 3, 2020

By: /s/ Robynne D. Sisco

Robynne D. Sisco

Co-President and Chief Financial Officer

(Principal Financial Officer)