



TEMENOS
THE BANKING SOFTWARE COMPANY

Task Force on Climate-Related Financial Disclosures (TCFD) Report

MARCH 2021



Message from the Chief Executive Officer



It is unequivocal, that as climate is changing, the world is also changing.

Temenos is a global organization with great agility and adaptability to change. Our vision is to make banking better and available to everyone – with more than 1 billion people relying on our software technology for their everyday banking needs.

We recognize that the management of climate-related risks and opportunities towards a low carbon economy is a global challenge, which requires immediate response. In order to make progress, it is important for us to understand the material financial implications of climate change on our operations and product offering.

We are aware that climate change may have financial implications and that the timing and severity of the impacts can be difficult to estimate. So, we have adopted the TCFD framework and published our first qualitative report on climate-related risks and opportunities in 2021.

With this report, we stress our commitment for disclosure against the 11 TCFD recommendations. We are proud to have incorporated a structured climate change strategy into our business strategy, corporate governance and enterprise risk management.

Sustainability is a strategic priority for Temenos. We recognize the importance of understanding and taking action on our material environmental impacts, risks and opportunities. We support a precautionary approach to environmental challenges on our own initiative and an environmentally responsible way of conducting our business. Our Temenos environmental roadmap is structured around four areas: Environmental Policy and Management System,

Climate Change Strategy, Environmental Monitoring and Reporting and Environmental Awareness.

In addition to incorporating climate change as a risk into our operations, we are equally committed to helping our clients transform into smart, sustainable organizations. Our role towards a modern banking technology transformation is critical to provide our clients with the products to enable them to transition to a low carbon global economy.

Through our cloud native and SaaS-ready solutions, we help our clients reduce their carbon footprint, improve their environmental performance and strengthen their resilience to climate change. Our clients who adopt the Temenos Banking Cloud will accrue the inherent business benefits of this technology, and will also play a crucial role in making IT more sustainable.

As we look to the future, we will continue to create sustainable value for all our stakeholders. Climate change is a major global risk with severe economic and social impact. Temenos is committed to continuously improving its climate related disclosures, working towards a sustainable and resilient future. This is the beginning of a long journey towards a net zero economy and this report is just a starting point in our commitment to disclose the climate-related risks and opportunities that arise in the course of our business. We will continue to take ownership of our responsibility and deliver on our commitment to all our stakeholders and the society at large.

A handwritten signature in blue ink, appearing to read 'Max Chuard', written in a cursive style.

Max Chuard, Chief Executive Officer



Our Approach

In response to increasing concern about the impact and risk associated with climate change, in 2020, Temenos has started incorporating the recommendations from the Financial Stability Board's Task Force on Climate – related Financial Disclosures into its environmental strategy. The purpose was to identify and manage our climate-related risks and opportunities across our business operations, in order to inform the members of the Board of Directors and the Executive Committee, ensure medium and long-term business decisions, and strengthen our company's resilience, while minimizing our impact on the environment.

Temenos, as described in its Global Environmental Policy is committed to measuring, monitoring and reporting on the progress of its global environmental footprint and implementing mitigation, reduction and improvement initiatives. By continuously identifying opportunities to increase both use of renewable energy and energy efficiency, we aim to reduce, replace and remove carbon emissions in our journey towards a net-zero economy.

TCFD	Recommendations	Temenos Engagement
Governance	<ul style="list-style-type: none"> Board's oversight of climate-related risks and opportunities Management's role in assessing and managing risks and opportunities 	<p>The members of the Board of Directors and the Executive Committee have the highest level of executive oversight for the company's CSR, Sustainability and Ethics Framework (Global CSR and Ethics Committee Charter). The Audit Committee and the CSR and Ethics Committee play the most active role in assisting the Board on sustainability and climate-related issues. The Audit Committee oversees CSR and Ethics matters and reviews the internal controls environment and Risk Management Framework (including climate-related ones). The CSR and Ethics Committee designs the CSR and sustainability strategy, including climate-related strategy, policies, risk management, objectives and progress against targets. The Committee reports to the Board of Directors through the Audit Committee, at least annually. Climate-related risks are incorporated into the Corporate Risk Management Framework.</p>
Strategy	<ul style="list-style-type: none"> Impact of identified climate – related risks and opportunities on the organization's businesses, strategy and financial planning Climate-related scenarios to test resilience of Temenos strategy 	<p>Temenos recognizes that climate change is different compared to other risks, as it has a higher level of uncertainty in relation to traditional risk management. To understand our resilience to climate change in the medium/long term, we performed two qualitative climate scenario analyses:</p> <ul style="list-style-type: none"> A "low-carbon future" Scenario: a rapid transition to a low-carbon economy, where technological advances and policy changes limit global warming to less than 1.5oC above pre-industrial levels and global net-zero CO₂ emissions are reached by around 2070 (based on the IEA ETP SDS) An "extreme global warming future" Scenario: a Business-as-Usual scenario, where climate change continues as currently projected with no or limited mitigation and regulatory actions and very high GHG emissions (based on the IPCC RCP8.5)
Risk Management	<ul style="list-style-type: none"> Temenos integrated overall risk management process for identifying, assessing and managing climate-related risks 	<p>The process of identifying climate-related risks and opportunities is integrated into the overall Corporate Risk Management Framework. We have identified our climate-related risks and opportunities, based on the TCFD recommendations and assessed them using a 5 x 5 Risk Rating Matrix. By multiplying the likelihood of Risk or Opportunity (from 5 scales: unlikely to certain) and the magnitude of the Impact (from 5 scales: insignificant, meaning less than 0.25M USD to severe, meaning over 5M USD), we ended up with a score, taking also into account the time horizon and the geographical locations. If the score was above the threshold value of 15, and if operational measures were inadequate, we defined the risk or opportunity, as having a substantive financial or strategic impact on our business, taking into consideration the time horizon for the impact to materialize.</p>
Metrics & Targets	<ul style="list-style-type: none"> Metrics used to assess climate-related risks and opportunities Targets set by Temenos to manage climate-related risks and opportunities and performance 	<p>Definitions/methodology of climate-related metrics and performance vs targets and historical data to allow trend analysis is disclosed in the Temenos Annual Report section Operating Responsibly, under the sub categories of Our Targets at a Glance, Environmental Policy and Management, Climate Change Strategy and Environmental Monitoring and Reporting.</p>

Climate-Related Risks

Based on Temenos risk management methodology, both transition and physical types of risks have been rated to have negligible to low financial impact on the Temenos operations, taking into account the time horizon and the specific geographical locations. Recognizing

the distinctive characteristics of climate-related risks (nonlinear, non-stationary, systemic, regressive, and spatial), we have in place both mitigation and adaptation measures and we plan to annually review and update this report.

Type of Risk	Description of Potential Financial Impact	Time Horizon	Rating
Policy and Legal <i>(Transition)</i>	Increased operating costs due to increased pricing of GHG emissions.	Short-Term (0–3 years)	Negligible
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Technology <i>(Transition)</i>	Increased costs from capital investment due to transition to energy efficient technology and clean energy procurement.	Medium-Term (3–10 years)	Low
Market <i>(Transition)</i>	Increased utility and operating costs as a result of rising energy prices from renewable energy sources.	Medium-Term (3–10 years)	Negligible
Reputation <i>(Transition)</i>	Adverse effect on reputation and revenue due to low ranking in ratings or adverse client reactions which could damage our brand image.	Long-Term (10–30 years)	Negligible
Acute <i>(Physical)</i>	Adverse effect on revenue due to workforce disruption in the event of frequent natural disasters.	Short-Term (0–3 years)	Negligible
Chronic <i>(Physical)</i>	Increased operating costs due to high energy/water consumption in case of rising temperature, as well as adverse effect on revenue from power outages or insufficient cooling of Data Centers (DCs).	Long-Term (10–30 years)	Low

Description of Transition Risks

Type	Description of Risk	Management of Risk
Policy and Legal	<p>Increased pricing of GHG emissions (Carbon Tax price) could result in increased operating costs. UK is subject to the Climate Change Levy Tax, which requires commercial entities to pay a carbon tax on the energy they consume. According to World Bank data, China, Germany, South Africa, Singapore and Netherlands, countries where we operate, are to impose such tax.</p>	<p>All Temenos offices are located in large, leased buildings. We have incorporated environmental requirements into our corporate facilities management practices. 80% of our workforce operates either from a certified GREEN building or from an ISO14001 certified office location. We have a climate change strategy in place to continuously pursue initiatives to improve our energy efficiency, procure renewable energy from local grids wherever possible, cooperate with established cloud providers and reduce carbon emissions.</p>
Policy and Legal	<p>Enhanced emissions reporting obligations could result in increased operating costs. Our offices in Luxembourg, Germany and Romania already undergo energy audits, according to the EU Energy Efficiency Directive. In the UK, annual reporting of ESOS and the new SECR regulation is under way. The EU Taxonomy Regulation could also affect costs related to energy efficiency upgrades and DCs responsible procurement criteria. In addition, all locations are in compliance with the WEEE Directive by recycling e-waste through licensed vendors. Finally, there is also the risk of fine if not compliant.</p>	<p>Temenos has in place an established ISO14001 certified Environmental Management System and a proactive mechanism to monitor upcoming legislations. In addition, in terms of fulfilling our reporting obligations, there is cross function cooperation within the company (finance, legal, sustainability, facilities, IT, local entities).</p>
Technology	<p>A rapid transition to a zero carbon economy would need increased capital investment on energy efficient technology and use of renewable energy sources, such as installation of smart metering and use of renewable energy through grid or utility provider green power program.</p>	<p>Temenos has in place a climate change strategy to transition, wherever possible, given the challenge of leased property, to energy suppliers with renewable energy. In addition, Temenos is already working on the installation of IoT, i.e. in our offices in UK, Luxembourg, Singapore, as well as our owned DCs in India. We also have an IT program in place, to replace IT equipment every 3 years to increase Temenos energy efficiency. We are also investing in employee environmental awareness initiatives on how to practice energy efficiency in the office.</p>

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Type	Description of Risk	Management of Risk
Market	<p>As our business grows, so does the increased use of energy. A global and local transition to a low carbon economy will require a larger investment in renewable and energy efficient technology. If the increased demand for renewable energy sources could not align with the respective supply, it would potentially lead to rising prices for renewable energy. This could impact our utility and operating costs, as well as our ability to procure clean energy as demanded by our clients and investors.</p>	<p>Temenos has a climate change strategy in place to reduce energy consumption. Temenos has also been strategically implementing an ISO14001 certified EMS at the most energy-intense locations (India, Romania, Lux), with the aim to increase coverage by certifying the most populated offices, continuing with our UK offices in 2021. In all our ISO14001 certified offices, we set annual local targets, roll out action plans, implement operational controls and use IoT for better monitoring our environmental performance (energy, water, waste and GHG emissions). In addition, Energy Efficiency Audits are performed in selected offices to identify and substantiate measures to save energy resources and increase energy efficiency. Regarding our strategic planning of DC management, Temenos partners with like-minded vendors, such as collocated DC and cloud providers with strong energy efficiency programs in place. Especially our collocated DCs in Germany are already compliant with the European Code of Conduct for Data Center Energy Efficiency, one year ahead of the EU Taxonomy Regulation.</p>
Reputation	<p>Low ranking in ratings related to climate-related measures, or a negative impact towards a client or product could damage our brand image, which might result in a risk of causing long-term negative impact on business, such as decrease in social credibility, increased cost to respond to the situation, and decreased loyalty of employees.</p>	<p>Temenos has a robust ESG strategy, is ranking high in investors' ratings and indices and is committed for continual improvement through its Global Environmental Policy, Climate Change Strategy and Responsible Procurement practices. An internal company-wide mechanism is in place to measure, monitor and report environmental KPIs aligned with the ISO14001 Environmental Management System requirements, the UN SDGs, GRI, SASB and TCFD recommendations.</p>

Description of Physical Risks

Type	Description of Risk	Management of Risk
Acute	<p>Natural disasters (earthquakes, flooding, hurricanes, and wildfires) could reduce revenue from disruption of workforce, damage of IT and office equipment and result in power outages, especially in India, where the majority of our workforce is located.</p>	<p>Temenos has a comprehensive business continuity plan certified according to ISO 22301 to identify and manage the risk, and to ensure the safety of our employees and continuity of services to our clients, should such events occur. The framework touches on: globally standardized emergency response and communication planning; fully tested business continuity management plans for all its global critical locations (back-up process of DCs from primary to secondary locations), switching computing to other sites, back-up generators and UPS systems), and personnel; cloud client service continuity testing in line with our responsible code of conduct and in cooperation with our external cloud providers; internal corporate IT service continuity and disaster recovery plans; supplier contingency planning; crisis management and major incident handling procedures. Temenos has in place selection criteria and strategic planning for energy efficient DCs to transition to collocated DCs and public cloud, including the water-stress area of Bangalore.</p>
Chronic	<p>Hot weather (rising temperature and heat waves), in locations where we operate, with already hot climate (India, Indonesia, Singapore, United Arab Emirates, Australia) may result in higher energy/water consumption both for our offices and for owned DCs (India only), thus increasing operating costs. Increased demand of electricity could result in a power outage, which could negatively impact business. In addition, there will be consequences, in the event IT equipment in our DCs (owned, collocated, cloud providers) cannot be sufficiently cooled, such as reduced arithmetic processing capacity and shortened equipment life. Water shortages (WRI water risk Atlas) in Chennai and Bangalore from extended droughts could also affect DCs operation (cooling).</p>	<p>Also, Temenos offices are located in large, leased office buildings, where such risks are included in the lease agreement. In addition, Temenos has insurance for property inside the buildings – furniture, electronic equipment, fixtures –covering STFI risks, as well as for employee mobility.</p>

Climate-Related Opportunities

The transition to a low-carbon economy has been assessed to have a substantial financial impact related to the opportunities that may materialize in short, medium and long-term. Greater demand of cloud products and solutions to banking sector, leading

to new markets may result in significantly increased revenues. Investments in energy efficiency technology and clean energy procurement may reduce operating costs and significantly strengthen Temenos resilience to climate change.

Type of Opportunity	Description of Potential Financial Impact	Time Horizon	Rating	Strategy to Harness
Resource Efficiency	Reduced operating costs through efficiency gains and cost reductions by moving to more efficient buildings or reducing occupied space where possible	Short-Term (0–3 years)	Medium	We have incorporated environmental requirements into our corporate facilities management practices and developed a comprehensive facilities management strategy that incorporates both financial and non-financial criteria for new property leases (procedure and standards for selecting a new property) and for renewal of existing leases. At the end of 2020, approximately 20% of the large leased office buildings were certified for their environmental performance to a sustainable/ green building standard on their own initiative. Looking forward, we are working on implementing the Better Building Partnership, alongside our property owners in our UK offices, and planning to install smart metering with real-time data to continuously improve operational efficiency.
Energy Source	Reputational benefits resulting in increased demand for our services due to use of energy efficiency technology and clean energy, helping our clients mitigate their environmental impact and improve their resilience to climate change	Long-Term (10–30 years)	High	Temenos multi-cloud strategy, including SaaS and cloud products, can enable our clients to reduce their energy use, waste and carbon footprint, improve their environmental performance and move towards a greener future. Cloud computing operates with greater efficiency than on premise DCs, by using advanced energy-saving technology, resulting in efficient use of IT resources, improving efficiency and business agility, reducing costs and contributing to a more sustainable world. Our goal regarding the energy efficiency and the use of renewable energy both at our collocated and owned DCs is to reduce the intensity of our energy use and to increase the use of renewable energy. Since 2015, we are running a consolidation project for collocated DCs, as well as a decommissioning project for our own DCs, recognizing the value added in allowing experts with green initiatives in place to effectively manage the IT environment. Temenos has also strategically selected public cloud providers with strong environmental agendas and commitment to sustainability goals on using 100% renewable energy, as well as on improving the efficiency of the infrastructure.

Type of Opportunity	Description of Potential Financial Impact	Time Horizon	Rating	Strategy to Harness
Products/ Services	Increased revenues and better competitive position through shifting preferences of the banking sector for cloud products and solutions	Short-Term (0–3 years)	High	To realize this opportunity's full potential, at Temenos, we innovate with purpose and our products have a positive environmental and social impact. In that way, we are contributing to the global effort to achieve the UN SDGs. Temenos has a long history of investing in its products. This has ensured our position as the leading solution in our sector. And together with the upgradability, it means that clients can continue to enjoy the benefits of our industry leading investment in the future. Temenos has consistently invested over 20% of its revenues in R&D. Furthermore, since we only produce software for banking and finance, all of this investment is targeted at our concentrated product portfolio.
Markets	Increased revenues due to access to new and emerging markets (digital banks, paperless/digital transactions)	Medium-Term (3–10 years)	High	We are committed to contributing to the global efforts to address social and environmental issues. To explore this opportunity, Temenos is committed to making banking better for billions with next-gen technology. Digital transformation lets the boldest banks reimagine themselves and Temenos is powering these changemakers by enabling customer-centric services and lasting relationships.
Resilience	Adoption of energy efficiency measures, investing in sustainable infrastructure and participation in renewable energy programs will increase the reliability of our products and services and our ability to operate under various conditions	Long-Term (10–30 years)	High	As part of our environmental responsibility strategy and in line with our commitment to measuring our global impact and implementing mitigation actions, through energy reduction and emissions' avoidance initiatives, we have set internal targets aligned with the Science-Based Targets Initiative methodology, to improve energy efficiency, increase renewable energy use, reduce emissions and invest in offset projects for the carbon emissions we cannot reduce or replace. We have identified three key areas to drive our climate change strategy towards a net – zero economy: Renewable Energy, Strategic Planning of the DCs and Eco – Efficiency. Our goal is to reduce the intensity of our energy use, in order to reduce GHG emissions and increase the use of renewable energy, in order to avoid GHG emissions, in all operations, including offices, owned and collocated DCs and cloud.

Climate Scenario Conclusions

In the event of a “low-carbon future”, Temenos is well-positioned regarding new upcoming regulations related to reporting and energy – efficiency measures. The company’s business activities and the geographic distribution of its assets suggest limited exposure to potential costs linked to carbon pricing or regulatory caps. The ISO14001 EMS implementation covering 60% of our total workforce provides Temenos with a resilient structure on managing legal compliance as well as environmental aspects, such as natural resource consumption, energy / water / waste management and GHG emissions. Our current operational controls and measures of the Energy Efficiency Audits, optimization project of DCs, responsible procurement, transition plan to renewable energy, and facilities management minimize the impact of any policy change or new regulation.

In the event of an “extreme global warming future”, Temenos is also well-prepared for both acute and chronic physical impacts on the operations and workforce across its geographical presence. Our Business Continuity plans, our selection criteria for energy efficient and low risk locations of collocated DCs ensure no disruption of our operation and services. The company’s global presence and location of offices in large, leased, multi-tenant buildings and our business model and cooperation with our business partners and suppliers help us ensure continued availability of our business operations and products.

Regarding opportunities in emerging markets, financial technology and digital finance can advance sustainable development and accelerate the achievement of global environment and social goals. Temenos is continuously investing in its products, having a targeted and concentrated portfolio, ensuring our position as the leading solution in our sector, by offering cloud native, cloud agnostic and SaaS products. These products and services will help our clients mitigate their environmental impact and improve their resilience to climate change,

as green cloud computing operates more efficiently than on-premise, while avoiding CO2 emissions through the use of renewable energy.

Temenos’ sustainable global presence, organizational structure, international mobility and working from anywhere service delivery to clients, comprehensive product offering, partnerships and market leadership help mitigate the climate-related risks and harness the full potential of the identified opportunities.





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