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9 February 2022

Technology One Limited (ASX: TNE)

Clarification of statements in Ownership Matters Proxy Voting Advisory Report

On Friday 4 February 2022, Ownership Matters (OM) issued a Proxy Voting Advisory Report pertaining to the TechnologyOne FY21 AGM resolutions. They have recommended a vote FOR the FY21 Remuneration (Rem) Report. The reports contain an important statement, that is incorrect / misleading that we want to clarify for our shareholders.

On page 1 of the Proxy Report, under the heading Executive Summary, OM state:

"Some shareholders concerned with LTI outcomes in FY21 may wish to vote against the remuneration report resolution (item 4). While concerns with the FY20 tranche of LTI outcomes were largely considered last year, the board has continued to reward executives based on a discretion that is difficult to support. Shareholders concerned with this or concerned by the fact that the LTI performance test for EPS was rounded up to the benefit of management may wish to vote against the remuneration report."

Summary

- TechnologyOne FY21 results clearly show significant benefits for our shareholders, clear alignment between shareholders & KMP Rem, and the fact that our KMP Rem is not excessive.

- The Board has not used discretion in FY21 to calculate FY21 Rem outcomes. FY21 Rem outcomes have been calculated exactly as per agreements, with no over-rides, and in no way use the FY20 board discretion to effect Rem calculations for FY21. It would have required board discretion to be exercised in FY21 to use an 'adjusted FY20' number as being promoted by OM. Going forward, TNE has altered the EPS tested component of all LTI tranches to a three year CAGR test, meaning that the annual test issues in FY20 and FY21 will not recur, avoiding this problem in the future.

- EPS growth metric has always been rounded up/down based on standard rounding conventions since 1999, and this procedure was consistently applied in FY21. We note that in FY19 we rounded EPS growth rate down. We also note that as this is a long standing practice OM have not in the past objected to this practice of rounding up/down. Nevertheless, going forward, the testing of EPS growth metrics will be calculated to 2 decimal places.

Please see below for more information about each of the points above.

Pertaining to the first underlined statement above

Pertaining to the first underlined statement above *"Some shareholders concerned with LTI outcomes in FY21 may wish to vote against the remuneration report resolution (item 4)"*

TechnologyOne is not aware of any shareholder concerns for the FY21 results, as our results clearly deliver significant benefits for our shareholders, show clear alignment between shareholder value & KMP Rem, and the fact that our KMP Rem is not excessive:

- Record SaaS ARR (up 43%), Record Revenue (up 4%), Record Profit (up 19%) and Record Dividend (up 8%)

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- Total KMP Rem up 12% vs PBT growth of 19%
- TSR for 3 year 113% vs KMP Rem up 12%
- TSR FY21 45% (vs ASX 300 of 30.86%)
- An independent report by Guerdons showed the KMP Rem was not excessive, with CEO at 56th percentile, CFO at 33rd percentile and COO at 64th percentile.

Pertaining to the second underlined statement above

Pertaining to the second underlined statement above *"..the board has continued to reward executives based on a discretion that is difficult to support."*

This statement is not correct, as no discretion has been used by the board in FY21 to calculate KMP Rem outcomes. FY21 KMP outcomes have been calculated exactly as per KMP agreements, with no over-rides and in no way use the FY20 board discretion to effect Rem calculations in FY21. The board discretion OM refers to was dealt with in FY20, with a strike against the Rem Report.

As background, in FY20 when board discretion was exercised because of the unforeseen COVID event, and because of the outstanding results achieved by the KMP during COVID, the board never contemplated adjusting the FY20 EPS base higher as now proposed by OM, and this was never discussed with the executives. We note OM never raised this point with us at the time or even until December 2021.

It was clearly evident from the FY20 board discretion as documented, that the intent was that the FY20 actual results would still remain the base for future LTI tests. The reason for this, is that to use an adjusted FY20 base for future tests would also have been unreasonable as COVID challenges were clearly continuing into FY21. Also, the revenue that was 'not won' in FY20 was ARR (Annual Recurring Revenue) which by its very nature, does not then occur in FY21, meaning the lost EPS in FY20 cannot be picked up in FY21. So, using an adjusted FY20 base, as being proposed by OM, would have meant FY21 LTI would clearly have been unachievable, and as such would be a significant de-motivation to the executives, and defeated the original reason for board discretion in FY20.

The board discretion in FY20, was dealt with the first strike at the FY20 AGM. No board discretion was exercised in FY21, and actual FY20 and FY21 results were used as the basis for all FY21 LTI tests, as was always intended. We note that it would have required board discretion to be exercised in FY21 to use an 'adjusted FY20' number for FY21 LTI tests as being now promoted by OM. Also, to use an 'adjusted FY20' result without negotiation with the KMP, would be both morally wrong and de-motivating (as it was never contemplated or documented in the FY20 board discretion) and at a time of the "great resignation" would be foolhardy as it could lead to the loss of key executives.

We note that going forward TNE has previously agreed to alter the EPS tested component of all LTI, to a three year CAGR test, meaning that the annual test issues visible in FY20 and FY21 will not recur, avoiding this problem in the future.

Pertaining to the third underlined statement above

Pertaining to the third underlined statement above *"... Shareholders concerned with this or concerned by the fact that the LTI performance test for EPS was rounded up to the benefit of management may wish to vote against the remuneration report"*

This statement is misleading and is clarified as follows: It has been the method used by TechnologyOne for 20+ years since we listed on the ASX in 1999, to round up or round down to the nearest whole number when looking at EPS growth rates, based on normal rounding convention eg 8.49% rounds to 8%, 8.51% round to 9%. We have remained consistent with this long standing practice in FY21, in

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rounding EPS growth up/down for testing purposes. We note that in FY19 we rounded EPS growth rate down. We also note that as this is a long standing practice, OM have not in the past objected to this practice of rounding up/down.

Nevertheless, we have committed going forward that future LTI outcomes will be based upon EPS growth rates calculated to 2 decimal places.

Afterword

Mr Di Marco, TechnologyOne Chairman and founder, said "We are appreciative of now receiving Proxy Reports, at the same time as they are issued to our shareholders. This has allowed us to be pro-active and respond in a timely fashion to our shareholders, which can only lead to more informed decisions by them. If shareholders wish to discuss this matter further, please contact us."

Adrian Di Marco

Executive Chairman

Edward Chung

Chief Executive Officer

- Ends -

Authorised for release by the CEO and Chairman.

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About TechnologyOne

TechnologyOne (ASX: TNE) is Australia's largest enterprise software company and one of Australia's top 150 ASX-listed companies, with locations across six countries. We provide a global SaaS ERP solution that transforms business and makes life simple for our customers. Our deeply integrated enterprise SaaS solution is available on any device, anywhere and any time and is incredibly easy to use. Over 1,200 leading corporations, government agencies, local councils and universities are powered by our software.

For more than 34 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology.

For further information, please visit: TechnologyOneCorp.com

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