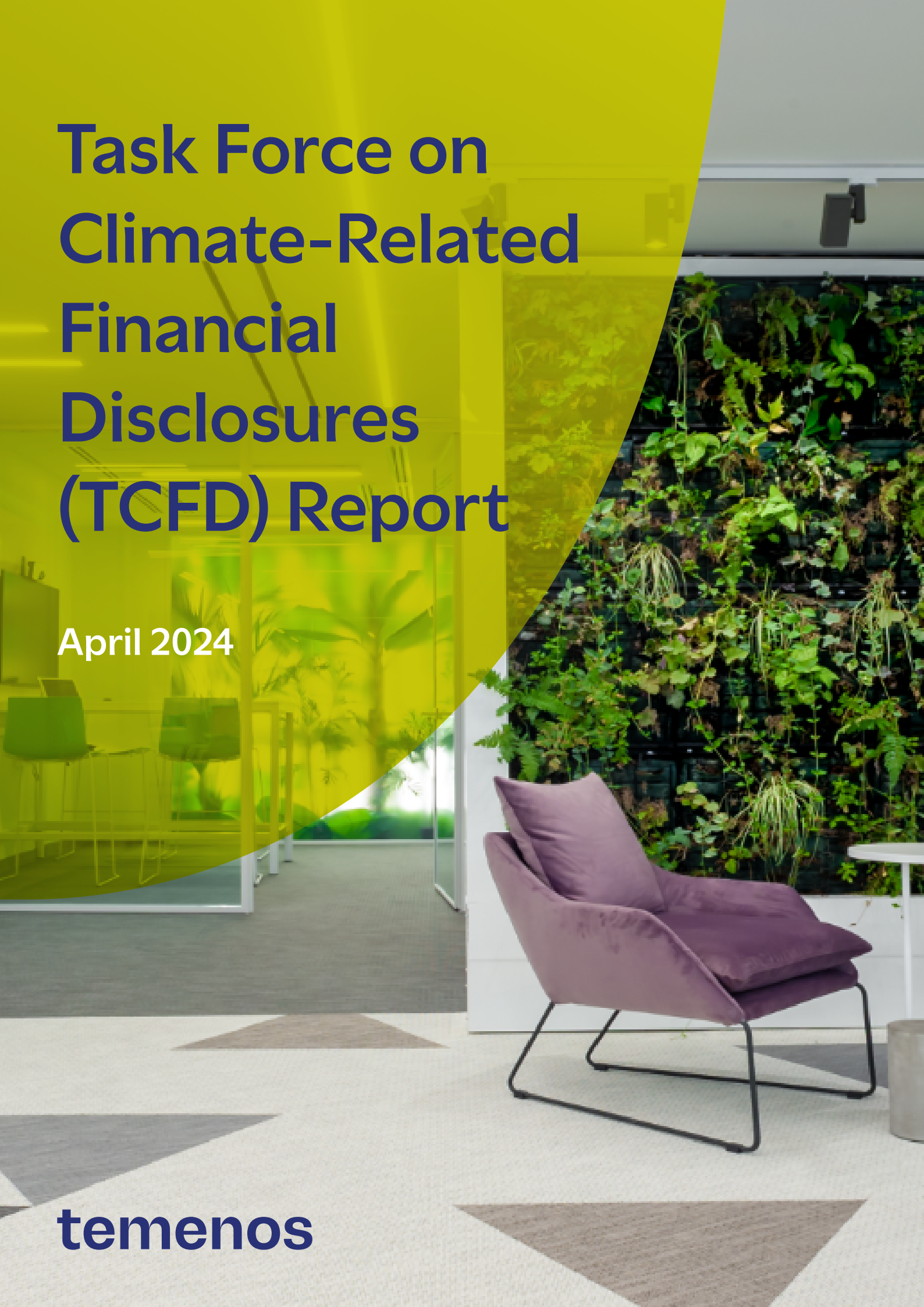
Task Force on Climate-Related Financial Disclosures (TCFD) Report

April 2024



temenos

Message from the Chairman

Undoubtedly, as climate is changing, the world is also changing. The year 2022 was once again a reminder that no one -individual, business, government, or society can tackle the greatest challenges of our time alone. A change is needed; to rethink our priorities, to choose our partners wisely and shape new paths. And for that, the right choice of partnerships as well as the power of technology play a key role in finding solutions to our global challenges and helping us navigate through change and disruption.

Temenos is a global organization with great agility and adaptability to change. At Temenos, for 30 years, we have been creating sustainable value for all our stakeholders. And as banking and the world continues to undergo fundamental change and disruption, our commitment remains stronger than ever. The forward-looking vision, pioneering spirit, innovative thinking and strong drive of our people set the foundation for our success today, as we are shaping the banking world and driving positive change with sustainable value to 1.2 billion people globally and our planet– something that has never been more relevant or important than today.

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. Since 2021, we have adopted the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and published our first qualitative TCFD report on climate-related risks and opportunities. We are proud to have incorporated a structured climate change strategy into our business strategy, corporate governance and enterprise risk management. This year we further improved our report, supported by in-depth scenario analyses and quantification of the identified impact.

Sustainability is a strategic priority for Temenos. Our goal is to grow our business in a way that takes care of the world around us, delivering value to anyone associated with us. Managing our own operations ethically and responsibly is the only way forward. We have a strong corporate governance and risk and ethics framework in place. We have set science-based targets to reduce our GHG emissions by 2030 and remain aligned with the Paris Agreement, while contributing to global social and environmental initiatives. 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. The Temenos Environmental Roadmap supports the UN SDGs and the transition to a net-zero economy and is structured around four areas: Environmental Policy and Management System, People Environmental Awareness, Environmental Monitoring and Reporting and Climate Change Strategy.

The backbone of the sustainable value we create for all our stakeholders is our product offering. Our technology helps our clients transform into smart, inclusive, and sustainable organizations. At Temenos, ESG by design is a core principle of how we build technology with tangible benefits for our clients: energy & cost efficiency, financial inclusion, transparency, risk mitigation and accountable governance. 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 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.

Thibault de Tersant
Non-Executive Chairman

Our approach

In response to increasing concern about the impact and risk associated with climate change, since 2020, Temenos has been incorporating the recommendations from the Financial Stability Board's Task Force on Climate – related Financial Disclosures into its environmental strategy. The purpose is to identify and manage our climate-related risks and opportunities across our business operations, in order to inform the Board of Directors and the Executive Committee, ensure sustainable short, medium and long-term business decisions, and strengthen our company's resilience, while minimizing our impact on the environment.
This year we have partnered with external consultants to perform a gap analysis to strengthen our TCFD reporting. We have also improved our scenario analysis by quantifying the financial impact of selected climate-related risks and opportunities, to better meet the needs of our investors and key stakeholders.

It is important for us to understand the material financial implications of climate change on our operations, supply chain and product offering. As part of our environmental responsibility strategy, we are committed to:

- Measuring our global impact and implementing climate risk mitigation and adaptation measures through energy reduction and emission avoidance initiatives;
- contributing to the reduction of GHG emissions and investing in energy efficiency measures including a progressive transition to purchasing renewable electricity in our own operations;
- providing our clients with the tools to reduce their or their customers' carbon footprint, improve their environmental performance, reach their sustainability targets, and enable them through their net-zero journey; and
- collaborating with our suppliers and Partners to decarbonize our value chain.

Our goal is to grow our business in a way that takes care of the world around us, delivering value to anyone associated with us, by integrating ESG into our operations, supply chain and product offerings. By continuously monitoring climate-related risks and opportunities, increasing our use of renewable energy and engaging key stakeholders throughout our value chain, we aim to reduce and remove carbon emissions to support the journey towards becoming a net-zero economy and further aling our business with the TCFD recommendations.

TCFD	Recommendations	Temenos engagement
Governance	• Describe the board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing climate-related risks and opportunities.	• The members of the Board of Directors have the highest level of executive oversight for the company's CSR, Sustainability and Ethics Framework (Global CSR and Ethics Committee Charter) and receive climate-focused updates at least annually. • The Nomination and ESG Committee, a Board-level committee, and the CSR/ESG and Ethics Committee, an executive-level committee chaired by the CEO, play the most active role in assisting the Board with sustainability and climate-related issues. • Climate-related risks are also monitored by the Chief Risk Officer and are incorporated into the Corporate Risk Management Framework. Read more on our Governance approach on page 5
Strategy	• Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. • Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. • Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• We have identified the key climate-related risks, as carbon price, energy cost, technology, reputation, regulatory compliance risk, and physical risks over the short, medium, and long term. • We have identified our key climate-related opportunities for our products/services, new emerging markets, resource efficiency and resilience, over the short, medium, and long term. • During 2022, we have conducted a quantitative scenario analysis on selected climate impacts, alongside our qualitative analysis, to understand the impacts of key physical and transition risks and opportunities on the business, in line with TCFD recommendations. • We analysed Temenos' risks and opportunities under different scenarios to quantify their potential impact. We modelled Temenos' climate risks and opportunities across three well-established and industry-wide scenarios, corresponding to 1.5°C, 2°C and 4°C temperature pathways and adopting economic constraints associated with IPCC's Shared Socioeconomic Pathway 2 (SSP2) middle-of-the-road scenario. Read more on our Strategy approach on page 6 and in the Sustainability section of the Temenos Annual Report, under Climate Change Strategy section
Risk management	• Describe the organization's processes for identifying and assessing climate-related risks. • Describe the organization's processes for managing climate-related risks. • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	We have identified our climate-related risks and opportunities, based on the TCFD recommendations, and assessed them in two stages: an initial qualitative approach and a second stage that has adopted a quantitative approach for assessing a subset of the identified climate impacts. The process of identifying climate-related risks and opportunities is integrated into the overall Corporate Risk Management Framework. Read more on our Strategy approach on page 7
Metrics and targets	• Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. • Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Definitions and methodology of climate-related metrics, performance vs targets as well as historic data to allow trend analysis are disclosed in the Sustainability section of the Temenos Annual Report, under the sub-categories of Goals and Targets, Environmental Monitoring and Reporting, Environmental Dashboard. During 2022, our near-term science-based target to reduce our absolute Scopes 1, 2 and 3, 50% by 2030, has been officially validated by the SBTi. Within the next two years, Temenos is planning to link the performance against climate-related targets to executive remuneration. Temenos is exploring options to further develop an internal carbon pricing mechanism across the entire business to incentivise decarbonisation activities.

Governance

1. Board of Directors
2. Nominations & ESG Commitee
3. CSR & Ethics Commitee
4. Chief Marketing and ESG Officer

The members of the **Board of Directors** have the highest level of executive oversight for the company's **CSR, Sustainability and Ethics Framework** (Global CSR and Ethics Committee Charter). The **Nomination and ESG Committee**, a Board-level committee, and the CSR and Ethics Committee, an executive-level Committee chaired by the CEO, play the most active role in assisting the Board on sustainability and climate-related issues.

The **Nomination and ESG Committee** oversees CSR/ESG and Ethics matters and reviews the internal controls environment and Risk Management Framework (including climate, water, and biodiversity-related matters). The Committee reports to the Board of Directors through the Audit Committee, at least annually. Acknowledging the importance of ESG matters, our CEO acts as the Board executive sponsor for ESG matters and is a member of the Nomination & ESG Committee.

The CSR and Ethics Committee, assists the Nomination and ESG Committee and the Board on sustainability and climate, water and biodiversity-related issues. It designs the CSR/ESG, sustainability and climate strategy, policies, advises on risk management, objectives, and reports progress against targets. It meets quarterly and written minutes are maintained by the Committee Secretary (Chief Marketing and ESG Officer) and shared with the external statutory auditor. The **Chief Marketing and ESG Officer** is responsible for managing the climate strategy, interacting with stakeholders, and driving CSR, sustainability and climate policies, programs and reporting progress. Climate-related risks are also monitored by the **Chief Risk Officer**, a member of the CSR and Ethics Committee and are incorporated into the **Corporate Risk Management Framework.**

Strategy

Temenos, as described in its Global Environmental Policy, is committed to measuring, monitoring, and reporting on the progress of its global environmental footprint. Our Climate Transition Action Plan, our TCFD reporting and our commitment to the Science Based Targets initiative reflect our strong vision of an inclusive and sustainable world together with our stakeholders, as we set out time-bound actions, targets and KPIs designed to deliver an emissions reduction pathway consistent with the 1.5°C ambition of the Paris Agreement. Looking forward, we are exploring our options regards an internal carbon pricing scheme to drive the behavioural and cultural change needed to achieve decarbonisation ambitions.

Temenos recognizes that climate change is unique compared to other risks, as it includes a higher level of uncertainty in relation to traditional risk management. In 2022, we undertook a quantified scenario analysis of a subset of climate impacts, following on from our qualitative analysis to quantify their potential impact*.

Scenario Analysis Assumptions (qualitative approach)

- **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)
- **A "business-as-usual" scenario:** a 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)
- **A ''peak and decline'' scenario:** a medium development scenario for population, income, energy and land use with low emissions achieved by a considerable improvement of energy efficiency combined with increased use of renewables and nuclear power, use of carbon capture and storage and increased use of bioenergy, aiming to reduce cumulative GHG emissions by 70% from 2010 to 2100 (based on the IPCC RCP2.6)

In the quantified scenario analysis, the subset of climate impacts were assessed using the outputs of an Integrated Assessment Model (IAM) that consists of a Computational General Equilibrium (CGE) model and a Climate Model (MAGICC). Key variables associated with the climate risks and opportunities being considered were used to quantify the potential financial impacts over time in annual steps until 2050. The IAM drew upon climate science as established by the Intergovernmental Panel on Climate Change (IPCC) through shared socioeconomic pathways (SSPs) and representative concentration pathways (RCPs) to help identify and consider potential economy-wide outcomes.

Transition risks were considered at a regional level, in line with Temenos' regional groupings used in its annual reporting. The transition risks assessment was conducted using three future climate change scenarios: 1.5°C, 2°C and 4°C average global temperature rise by 2100. (~4°C). Physical risks were considered at a country-level to provide an overview of the physical risk impacts in two of Temenos' key geographies. The physical risk assessment was performed using two future climate change scenarios: RCP2.6 (~1.5°C); and RCP8.5.

Scenario Analysis Assumptions (quantitative approach)

4°C baseline scenario:

- No additional climate policies are introduced other than those already in place in 2020
- Calibrated to external assumptions on key demographic, economic, and energy-related variables in line with SSP2: Middle of the Road
- Economic and financial transition risks are comparatively limited versus a 2°C or 1.5°C scenario
- Physical risks and impacts such as sea level rise are amplified by the effect of climate hazards on economic activities

2°C counterfactual scenario:

- The scenario sits within SSP2 but also assumes the successful introduction of climate policies to mitigate climate change through Shared Climate Policy Assumptions (SPAs)
- Regional CO2 emissions reduction based on NDCs
- Assumed to lead to a less severe increase in global-mean temperature of 2°C or less by 2100
- Ambitious policy programme to reduce global emissions in a gradual way with net zero CO2 emissions achieved around 2070

1.5°C counterfactual scenario:

- Up to 2030, Nationally Determined Contributions (NDCs) are successfully delivered. Post-2030, cost-effective emission reduction measures are implemented by countries to achieve the global 1.5°C target, in proportion to their pledged NDCs
- Further decline in renewable cost compared to the reduction in the baseline
- Increase in elasticity of substitution to mimic technological developments that facilitate substitution away from carbon-intensive inputs over time

** The results presented in the Financial Impact Table (page 8) are a combination of two approaches*

Risk Management

The process of identifying climate-related risks and opportunities is integrated into the overall Corporate Risk Management Framework. Risks are regularly assessed and monitored against risk appetite levels to ensure the business is operating within the defined risk appetite and management action plans are developed when a deviation from the defined risk appetite is detected.

We have identified our climate-related risks and opportunities, based on the TCFD recommendations, and assess these through a two-staged approach; an initial qualitive approach using a 5 x 5 Risk Rating Matrix and a second stage, quantitative approach on a subset of identified climate impacts using an Integrated Assessment Model (IAM) that consists of a Computational General Equilibrium (CGE) model and a Climate Model for the Assessment of Greenhouse Gas Induced Climate Change (MAGICC). The time horizons (short term: 0-3 years, medium term: 3-10 years, long term: 10-30 years) were defined following the guidelines of the Corporate Risk Management Framework and considering the useful life of the company's infrastructure and nature of the selected climate-related risks and opportunities.

Description of 5 x 5 Risk Rating Matrix approach:
By multiplying the likelihood of Risk or Opportunity (5-point scale: unlikely to certain) and the magnitude of the Impact (5-point scale: ranging from insignificant to significant), we ended up with a score, also taking 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 when taking into consideration the time horizon for the impact to materialize, we defined the risk or opportunity, as having a significant financial or strategic impact on our business.

Description of Integrated Assessment Model approach:
The modelling process combined the scenarios and economic variables to quantify Temenos' potential climate-related risks and opportunities. We used an IAM to turn scenario assumptions and baseline financial data into estimated potential financial impacts of the subset of identified climate-related impacts.

Financial Impact Level

	Type		1.5°C	2°C	4°C	Time Horizon	Description of financial impact
TRANSITION RISK	Policy / Legal (carbon taxation)	Scope 1 Emissions*				Medium - Term	Increased operating costs due to increased pricing of GHG emissions; carbon costs rise in low carbon scenarios, but emission costs remain insignificant due to Temenos low level of Scope 1 emissions
	Policy / Legal (legislation)	Enhanced emissions reporting obligations				Short - Term	Increased operating costs due to enhanced emissions-reporting obligations; cost arising from mandatory audits, corrective actions and risk of fines for non-compliance is not significant in all scenarios
	Technology	Capital Investment				Medium - Term	Increased costs from capital investment due to transition to energy efficient technology and clean energy procurement in low carbon scenarios
	Market	Energy Costs*				Medium - Term	Increased operating costs resulting from rising energy prices in an inflationary environment: while the increase in energy costs between a 1.5oC scenario vs a 4oC scenario is not significant, energy costs are still expected to rise in all scenarios
	Reputation	Corporate Targets				Long - Term	Decrease of social credibility and loss of revenue due to low ranking in ratings or a negative impact towards a client or product which could damage our brand image, in all scenarios
PHYSICAL RISKS	Chronic**	Extreme Heat*		-		Long - Term	Increased operating costs due to high energy consumption in case of rising temperature, as well as loss of revenue from power outages across all scenarios
		Water Shortages		-		Long - Term	Increased operating costs due to high water consumption in case of rising temperature, as well as loss of revenue from insufficient cooling of Data Centers (DCs) across all scenarios
	Acute**	Coastal Inundation*		-		Long - Term	Loss of revenue from disruption is insignificant in low carbon scenarios
		Riverine Flooding*		-		Short - Term	Loss of revenue from disruption of workforce in the event of frequent natural disasters, insignificant across all scenarios
		Surface Water Flooding*		-		Short - Term	
OPPORTUNITIES	Products and Services	Revenue*				Medium - Term	Increased revenue (associated with economic performance of clients) and better competitive position through shifting preference of the banking sector for cloud products and solutions, in low carbon scenarios
	Resource Efficiency	Utility operating costs				Short - Term	Reduced operating costs through energy efficiency gains and cost reductions by moving to more efficient buildings or reducing occupied space where possible, in low carbon scenarios
	Markets	Revenue				Medium - Term	Increased revenue due to access to new and emerging markets (digital banks, paperless/digital transactions) by shifting preference to cloud products and solutions in low carbon scenarios
	Resilience	Reputation				Long - Term	Increased reliability of our products and services and our ability to operate under various conditions. Increased demand of our services due to energy efficiency technology, helping our clients mitigate their environmental impact and improve their resilience to climate change in low carbon scenarios

* These risks have been assessed using the quantitative approach (IAM) discussed in the Strategy and Risk Management section
** These physical risks have been carried out at a country level (India and UK).

Thresholds:

Risk	insignificant	low	medium	high	significant
Opportunities	insignificant	low	medium	high	significant

Climate Related Risks

Based on Temenos risk management methodology, both transition and physical types of risks have been rated to have low financial impact on the Temenos operations, across all scenarios, considering the time horizon and the specific geographical locations. Recognizing the distinctive characteristics of climate-related risks (non-linear, non-stationary, systemic, regressive, and spatial), we have in place both mitigation and adaptation measures and we plan to review and update this report on an annual basis.

Description of Transition Risks:

Business Area	Type	Description of Risk	Management of Risk
Operations	**Policy and Legal**	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.	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.
Operations	**Policy and Legal**	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 Data Centers responsible procurement criteria. Finally, there is also the risk of fine in case of non-compliance.	Temenos has in place an established ISO14001 certified Environmental Management System and a proactive mechanism to monitor upcoming legislations. In terms of fulfilling our reporting obligations, there is cross-function cooperation within the company (finance, legal, sustainability, facilities, IT, local entities). In addition, all locations are compliant with the WEEE Directive by recycling e-waste through licensed vendors.
Adaptation and Mitigation measures	**Technology**	A rapid transition to a zero-carbon economy would need increased capital investment in 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.	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 Data Centers in India. We also have an IT program in place, to replace, where possible, 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, through our employee resource group, the Mission Earth Team.
Supply chian/Value Chain	**Market**	As our business grows, so does the need for more natural resources, resulting in increased need for the 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.	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, and UK), with the aim to increase coverage by certifying the most populated offices. In all our ISO14001 certified offices, we set annual local targets, roll out action plans, implement operational controls and use IoT for better monitoring of 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 Data Center management, Temenos partners with like-minded vendors, such as collocated DCs, which are compliant with the European Code of Conduct for Data Center Energy Efficiency as described in the EU Taxonomy Regulation, and cloud providers with strong energy efficiency programs in place.

Supply chian/Value Chain	**Market**	An increase in energy prices in an inflationary environment may impact certain business areas, including the costs of facilities and technology infrastructure. Such costs may impact certain business metrics including profitability, cashflow, budgets and forecasts. The business operates on a global footprint and hence facilities costs may, in certain instances, be subject to rising costs such as business rents and property rates. Furthermore, costs of operating technology infrastructure including in the Cloud business, may also be subject to rising costs. Other costs may be impacted across the business.	The business has implemented adaptation measures against the impact of inflation in the areas noted. Regarding facilities costs, there is strict governance and control of contracts affording adequate visibility of short- and medium-term costs. Furthermore, where possible, the business seeks to include clauses which limit potential exposures throughout a contractual term. Regarding technology infrastructure costs, certain contracts have fixed fees negotiated throughout the term and are therefore largely protected from material increase. Those contracts which are subject to potential increases are also closely governed often in regular communication with suppliers. As part of our near – term Science-Based Target commitment, due diligence and negotiations, supplier targets including carbon emissions are considered, hence further diminishing the risk of material increases being passed onto the business. Finally, through budgeting and forecasting processes, the business considers rising operating costs such that it has planned for and adequately future-proofed potential impacts of operating in an inflationary environment.
Operations	**Reputation**	Low ranking in ratings related to climate-related measures, failure to achieve targets, 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.	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 SBTi, the UN SDGs, GRI, SASB and TCFD recommendations.

Description of Physical Risks

Business Area	Type	Description of Risk	Management of Risk
Operations	**Acute**	Natural disasters such as flooding could reduce revenue from disruption of workforce, damage of IT and office equipment and result in power outages, especially in India, where most of our workforce is located.	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 as well as continuity of services to our clients, should such events occur. The framework includes: globally standardized emergency response and communication planning; fully tested business continuity management plans for all its global critical locations (back-up process of Data Centers 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 and Hyderabad. Therefore, we have proactively reduced the size of our own Data Centers in Hyderabad, as Telangana state has a higher risk of water depletion compared to Tamil Nadu and Karnataka states. In addition, Temenos has insurance for property inside the buildings (furniture, electronic equipment, fixtures), covering STFI risks, as well as for employee mobility. We have also run a multi-site energy efficiency audit in India, to identify opportunities for renewable energy on-site production, in order to become more energy independent and compensate for a potential increase of power outages due to increasing temperatures and increasing use of electricity from non-renewable energy sources.
Operations/ Supply chain	**Chronic**	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, Bangalore and Hyderabad from extended droughts could also affect DCs operation (cooling).	

Climate Related Opportunities

The assessment of transitioning to a low-carbon economy has shown that greater demand of cloud products and solutions for the banking sector, leading to new markets may result in increased revenues, while investments in energy efficiency technology and clean energy procurement may reduce operating costs and thus strengthen Temenos resilience to climate change.

Description of Opportunities

Business Area	Type of Opportunity	Description of Potential Financial Impact	Strategy to Harness
Operations	**Resource Efficiency**	Reduced operating costs through efficiency gains and cost reductions by moving to more efficient buildings or reducing occupied space where possible.	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 2023, approximately 34.5% of our leased office buildings were certified for their environmental performance to a sustainable/ green building standard on their own initiative. Looking forward, we have rolled out a multi-site energy efficiency audit for all 5 of our offices in India to analyze the energy profile and have identified targeted energy conservation measures and appropriate IoT-based solutions to support Temenos climate change strategic plan.
Supply chian/Value Chain	**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.	Temenos recognizes the environmental benefits of cloud computing and has strategically selected to employ a cloud-agnostic approach for its cloud and SaaS products. Our cloud-native SaaS offering, the Temenos Banking Cloud, is a climate-related opportunity, which helps banks become more operationally efficient and sustainable by reducing their carbon footprint and improving their operational and environmental performance, in order to help reach their sustainability targets. Our public cloud providers and hyperscalers have strong environmental agendas and are committed to sustainability goals on using 100% renewable energy, as well as on improving the efficiency of the infrastructure. In addition, Microsoft Azure offers a Sustainability calculator, which enables online monitoring of emissions related to the use of Azure Cloud. By moving to flexible cloud-based infrastructure, we are expecting to reduce our own and our clients' energy use, increase the renewable energy use and consequently the rate of carbon emissions. Migrating to cloud also means less infrastructure, hence fewer e-waste. Thus, our clients who adopt the Temenos Banking Cloud will also accrue the inherent business benefits of this technology compared to on-premise deployments.
Investment in R&D	**Products/ Services**	Increased revenues and better competitive position through shifting preferences of the banking sector for cloud products and solutions.	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, 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 develop software for banking and finance, all of this investment is targeted at our concentrated product portfolio.

Products/Services	**Markets**	Increased revenues due to access to new and emerging markets (digital banks, paperless transactions).	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.
Adaptation and mitigation measures	**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.	As part of our environmental responsibility strategy and in line with our commitment to measuring our global environmental impact and implementing mitigation actions, through energy reduction and emissions' avoidance initiatives, our near – term science - based target, aligned with the Business Ambition for 1.5°C, was officially validated in 2022, by the SBTi. Our goal is to improve our energy efficiency and reduce the intensity of our energy use, in order to reduce GHG emissions, increase the use of renewable energy, in order to avoid GHG emissions, in all operations, including offices, owned and collocated DCs and cloud and to invest in carbon removal projects for the carbon emissions we cannot reduce.

Overview of how climate change is impacting our business, strategy, and financial planning

Business Area	Strategy
Poruducts and Services	Temenos multi-cloud strategy, including SaaS and cloud products, can accelerate digital transformation and enable our clients to reduce their energy use, waste and carbon footprint, improve their environmental performance and move towards a greener future, in the medium and long-term horizon. 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. Recognizing how central ESG has become to banks' strategies, our cloud-native SaaS offering, the Temenos Banking Cloud, incorporates also ESG as a service to help banks gain carbon insights from using our products and to track their progress towards reaching their sustainability targets. Temenos also launched ESG Investing-as-a-service, helping banks and wealth managers meet the growing demand for sustainable investing. The pre-integrated solutions, available on Temenos Exchange, our Fintech Marketplace bring open banking innovation to market faster, and at scale. With our open platform for composable banking, banks can extend their services by integrating third party applications, like Bud and Greenomy, to help their customers track their carbon footprint or digitalize sustainability reporting to align with the EU Taxonomy, speeding up the transition to a carbon-neutral economy in line with the European Commission's Green Deal. To support banks in their race to net-zero, Temenos has also launched its Carbon Emissions Calculator on the Temenos Banking Cloud. This industry-first and independently verified solution is powered by hyperscalers and gives our customers deeper, data-driven insights into their carbon emissions. The calculator is embedded into the Temenos Banking Cloud offering these insights at no extra cost to our customers.
Supply chain and/or value chain	As part of our ongoing plan to integrate ESG into our value chain and achieve our science-based target, we are committed to developing a supplier engagement strategy in line with the 1.5°C Business Ambition. We are in progress of implementing a global procedure to ensure that our focus suppliers' climate change targets are consistent with the Paris Agreement, encourage them to commit to the Science Based Targets initiative and measure their success to reduce emissions through absolute energy reduction and/or use of renewable energy. Our focus, being a software company, is on the selection of Data Center/ cloud providers, as well as IT manufacturers, as we recognize that these suppliers can make a substantial contribution to climate change mitigation, if implementing a comprehensive set of energy efficiency practices. Therefore, we partner with cloud hyperscalers and procure IT equipment compliant with internationally acknowledged standards, such as Energy Star, EPEAT and TCO. For its SaaS and Cloud products, Temenos has made the strategic decision to take a cloud-agnostic approach. The hyperscalers we partner with, have strong environmental strategies, and are committed to using 100% renewable energy, as well as on improving the efficiency of the infrastructure. By moving to flexible cloud-based infrastructure, we are expecting to reduce our energy use, increase the renewable energy use and consequently the rate of carbon emissions from our operations as well as from the use of our products.
Investment in R&D	Temenos is consistently invested over 20% of its revenues in R&D. Since we only produce software for banking and finance, all of this investment is targeted at our concentrated product portfolio. The number of clients that moved to Temenos Banking Cloud and for which Temenos now runs their production environments grew dramatically since 2021. This demand has led to the need for a different implementation model for Temenos and our partners. To support this, Temenos has developed a cloud version of the Temenos Implementation Model (TIM) to highlight the variances in roles and responsibilities between an on-premise and cloud implementation project. In addition, further focus has been given to protecting our operational cloud services to our clients, by introducing a strict process for projects to comply with operational demands such as availability and performance. At the same time, during 2022, we engaged with GoCodeGreen, an independent climate tech company dedicated to measuring the carbon efficiency of software products, to provide us with a clear understanding of the carbon footprint of our software products, in order to improve our software engineering practices and reduce the carbon impact.

Operations	In view of our officially validated near – term science-based target, we are committed to reducing 50% all GHG emissions by reducing the energy use and increasing the energy efficiency, as well as the use of renewable energy, across the entire value chain, reaching net-zero by 2050 in a rate compatible with the Science Based Targets initiative methodology. The Temenos Environmental Roadmap supports the UN SDGs and the transition to a net-zero economy and is structured around four areas: Environmental Policy and Management System, People Environmental Awareness, Environmental Monitoring and Reporting and Climate Change Strategy. Temenos has been strategically implementing an ISO14001 certified EMS at the most energy-intense locations (India, Romania, Lux, UK), with the aim to increase coverage by certifying the most populated offices. Temenos is also transitioning, wherever available and possible given the challenge of leased property, to energy suppliers with renewable energy, towards our journey to a low carbon economy. During 2023, the majority of our offices have either switched to renewable electricity sourcing from their local suppliers, or purchased Energy Attribute Certificates, accounting for 86% of our total energy consumption. Compliant with the EU Energy Efficiency Directive, Temenos undergoes energy efficiency audits to analyze the energy profile of its facilities and identify targeted energy conservation measures per each site. 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. We highly recognize the value added in allowing experts with green initiatives in place to manage the IT environment, including air cooling, grey water usage, power usage effectiveness ratio, renewable energy use etc. We are reducing our Data Center footprint by carefully considering our platform design, leveraging our multi-tenant architecture, and monitoring performance. In regions, with stringent regulations about carbon emissions and energy efficiency mitigation plans, we select to partner with collocated Data Centers which operate with high standards.
Adaptation and Mitigation Measures	A rapid transition to a net-zero economy, in a horizon of 3-10 years, 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. We have put in place a climate change strategy to transition, wherever possible, given the challenge of leased property, to energy suppliers with renewable energy. We have 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. 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. Looking forward, we are working on implementing the Better Building Partnership, alongside our property owners in our UK offices, and installed smart metering with real-time data to continuously improve operational efficiency. To enable continuous improvement, Temenos invests in an EMS certification program to get the largest offices (headcount and energy intense wise) ISO14001 certified. 80% of our workforce operates either from a certified GREEN building or from an ISO14001 certified office location. We also have an IT program in place, to replace IT equipment every 3 years to increase Temenos energy efficiency. In December 2021, we also rolled out a multi-site energy efficiency audit as per ASHRAE level 2 guidelines for all five offices in India (located in Chennai, Bangalore and Hyderabad) to analyze the energy profile and identify targeted energy conservation measures and appropriate IoT-based solutions per each site. The conclusions of these audits are being analyzed, in order to be incorporated in the financial planning to guide Temenos climate change strategic plan. We are also investing in employee environmental awareness initiatives to upskill our team on how to practice energy efficiency in the office.

Climate Scenarios Conclusions

In the event of a ''low-carbon future'' scenario, 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 73% 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.

In the event of a ''peak and decline'' low emissions scenario, Temenos has committed to the Science Based Targets initiative, to reduce its operational carbon, aligned with the Business Ambition for 1.5°C. by implementing a series of initiatives to improve energy efficiency and to increase the use of renewable energy in its operations. Our current operational controls and measures from the Energy Efficiency Audits, the optimization project of our DCs, the responsible procurement, and our facilities management support our climate change strategic plan at a time of ongoing growth in our business.

In the event of a "business-as-usual" baseline scenario, 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. We have also run a multi-site energy efficiency audit in India, to identify opportunities for renewable energy on-site production, in order to become more energy independent and compensate for a potential increase of power outages due to increasing temperatures and increasing use of electricity from non-renewable energy sources.

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 alternatives, while avoiding CO_2 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.

About Temenos

Temenos (SIX: TEMN) is the world's leading open platform for composable banking, creating opportunities for over 1.2 billion people around the world every day. We serve two-thirds of the world's top 1,000 banks and 70+ challenger banks in 150+ countries by helping them build new banking services and state-of-the-art customer experiences. The Temenos open platform helps our top-performing clients achieve return on equity three times the industry average and cost-to-income ratios half the industry average.

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