BRISBANE, 10 February 2021

Proxy Advisor Recommendation Against TNE Rem Report

Introduction

Proxy reports have been recently issued pertaining to Technology One Limited's (ASX:TNE) Remuneration Report as follows:

- CGI Glass Lewis – recommendation vote against Remuneration Report
- Ownership Matters– recommendation vote against Remuneration Report
- ISS - recommendation vote in favour of the Remuneration Report

The recommendation against the Remuneration Report is because the TechnologyOne Board exercised discretion pertaining to LTIs, that resulted in LTIs fully vesting.

TechnologyOne has been approached by Shareholders on this matter. We have issued this ASX statement to ensure all our shareholders are fully informed.

TechnologyOne believes that the recommendation by the Proxy Advisors does not take into account the real-world considerations faced by the TechnologyOne Board, as outlined below.

Board discretion occurred to avoid unintended and unfair consequences that would have had a profound impact on executive motivation and retention.

The Board believes executives should be acknowledged and rewarded for the exceptionally strong outcomes delivered during COVID19. Board discretion has not led to an unreasonable outcome. There is a clear alignment between shareholder rewards and executive remuneration after Board discretion.

We ask shareholders to consider the following information and vote in favour of adopting the Remuneration Report at the upcoming AGM.

Key Financial Highlights

TechnologyOne executives delivered an exceptionally strong result in FY20 against the background of the unforeseen COVID19 pandemic:

- Underlying Profit Before Tax up 13%
- Profit Before Tax up 8%
- SaaS ARR growth of 32%
- Consulting Profit growth of 38%
- Breakeven in UK
- Profit Before Tax Margin increased to 29% (vs 27% pcp)
- Dividend up 8%
- Total Shareholder Return (TSR) of 12.1% in FY20 (vs ASX 300 of -10+%)
- Total remuneration packages[1] in FY20, up 5%
- TSR for the 3-year vesting period was 65.7%. Total remuneration increased by 27% during this period, after Board discretion.
- Strong alignment between the performance of the business, shareholders and executives

Background

Retention of high performing executives in the IT industry is an increasing challenge, given the rapid growth of the publicly listed IT sector in the last few years, as well as the vibrant IT start-up community.

TechnologyOne executives' base pay is purposely exceptionally low compared to our peers, to encourage a strong focus on performance. It has been pivotal to our long-term success.

TechnologyOne executive packages are approximately 1/3 base, 1/3 STI, 1/3 LTI. As such we need to be especially careful how we deal with executives' LTI when unforeseen exceptional circumstances occur, given that LTIs constitutes a significant at-risk component of their salary. Unintended and unfair consequences in such a situation can have a profound impact on executive motivation and retention.

Board Discretion exercised re FY20 NPAT growth LTI and FY20 EPS growth LTI

LTI targets for FY20 NPAT growth and for FY20 EPS growth were set prior to the start of FY18, FY19 and FY20.

When the LTI targets for FY20 NPAT growth of 10% to 15% was set in FY18; and LTI targets for FY20 EPS growth of 5% to 15% was set in FY19 and FY20, there was no consideration given to a global pandemic.

The global pandemic which has occurred in FY20 has had an enormous impact on the economy and businesses. Many businesses have struggled, and delayed investing in IT systems.

The TechnologyOne Board considers the COVID19 pandemic as an unforeseen exceptional circumstance. If we had known of COVID19 the LTI targets would not have been set as aggressively

[1] References in this statement to increases in remuneration refers to continuing executives

as in past years, i.e. 5% to 15% growth, which is our target for a normal year. A target of up to 8% growth would have been an outstanding result during COVID19. In light of this, we exercised Board discretion as the original targets were set prior to COVID19 and were not realistic or fair.

The Board also further considered that Underlying Profit, which excludes the 'once off' increase in legal provisions, due to an unexpected judgement against TechnologyOne in a civil employment case, to be a more accurate representation of the company's performance in FY20, which was up 13%. If Underlying Profit was used for the LTI test, approximately 90% of the LTI would have vested.

Overall, FY20 was an exceptionally strong year for TechnologyOne, delivered by the executive team during COVID19, which saw SaaS ARR grow 32%, Consulting Profit grow 38%, UK achieved breakeven, PBT margin improved to 29% and PBT increased 8%, Underlying Profit up 13% and dividends also increased 8%.

The Board is acutely aware of the hard work, excessively long hours and significant challenges that the executive team endured to pivot the company from a physical to virtual model for all parts of the business including Sales, Marketing, R&D, Implementation and Support while still delivering strong growth.

The Board believes executives should be acknowledged and rewarded for such strong outcomes delivered during COVID19, without any negative outcomes to them, such as the loss of their LTI award.

The executives positively affected by this Board discretion, were Mr Edward Chung CEO, Mr Stuart MacDonald COO and Mr Paul Jobbins CFO.

Board discretion did not apply to the company's founder and major shareholder, Mr Adrian Di Marco.

Board Discretion exercised re FY19 & FY20 Perpetual licence fee growth LTI

When the LTI target for Perpetual Licence Fee growth of 8% to 15% for FY19 & FY20 was set in FY18 there was no consideration given to the strategic shift we subsequently pursued away from Perpetual Licence Fees to SaaS ARR growth.

In recent years, we have undertaken a strategic shift in focus to SaaS ARR growth with a planned corresponding reduction in perpetual licence fees. This strategic shift was after the LTI target for licence fees was set. It would be unfair to penalise executives given the strategic shift from perpetual licence fees to SaaS ARR growth, which the Board asked them to deliver, and which they did deliver, with SaaS ARR growth of 32%.

In FY19, perpetual licence fees were down 38% ($25m), and FY20 perpetual licence fees were down 33% ($13m), as we pursued SaaS ARR growth of 40% in FY19, and SaaS ARR growth of 30% in FY20. The Board sees this strong growth in SaaS ARR as exceptionally strong performance, and in keeping with what we asked our executives to deliver.

The successful transition from perpetual licence fees to SaaS is the platform for the company's future success.

The executive positively affected by this Board discretion was Mr Stuart MacDonald COO.

Board discretion did not apply to the company's founder and major shareholder Mr Adrian Di Marco, or Mr Edward Chung CEO or Mr Paul Jobbins CFO.

Strong Alignment between Shareholders & Executives after Board Discretion

The fact that NPAT rose 8%, dividends also increased 8%, and TSR was 12.1% (vs ASX300 -10+%), while remuneration packages, rose only 5%, is an indication that Board discretion has resulted in a win-win situation for both shareholders and executives, and that this has been a fair and just outcome for everyone.

Over a longer period, the TSR for TechnologyOne for the 3-year vesting period to 30 September 2020, was 65.7%. Total remuneration increased by 27% during this period.

There is a clear alignment between shareholder return and executive remuneration, after Board discretion. Board discretion has not led to an unreasonable outcome that is out of alignment with shareholders.

The Board notes this is the first time since listing in 1999 that it has exercised discretion in relation to Executive Remuneration. We do not have a history of doing this.

I note going forward, based on the advice of Proxy Advisors, that performance hurdles have been changed from an annually tested metric to being tested at the end of the applicable three-year performance period.

Recommendation

As the major shareholders of TechnologyOne, both myself and John Mactaggart gave the matter significant consideration. We received no benefit from the Board discretion yet as major shareholders we are fully supportive of the exercise of Board discretion in this matter because it's the right, fair and equitable thing to do.

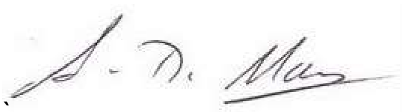
We also considered the fact that the total dollar value of the LTIs that were subject to Board discretion was approximately $210,000. While not material to TechnologyOne, with a $2.7b market capitalisation, this is material to the executives and sends a clear and positive message of support and appreciation after having delivered a truly outstanding result over the last 3 years, and particularly the last 12 months, during a global pandemic.

Proxy Advisors recommendation to vote against TechnologyOne Remuneration Report would undermine the hard work and good will between the Board, our shareholders and our high performing executive team.

We note that Proxy Advisor ISS did recommend a vote in favour of the TechnologyOne Remuneration Report.

Board discretion is expected to be exercised when unintentional and unreasonable outcomes occur, which either disadvantages shareholders or other stakeholders.

Board discretion has been properly exercised, and I ask shareholders to vote in favour of adopting the TechnologyOne Remuneration Report at the AGM.



Adrian Di Marco
Executive Chairman and Founder

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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 offices 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 Anytime 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 32 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