



GOVERNING THE GROUP

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (hereafter "DCG") and its Commentary issued by the SIX Swiss Exchange.

In the present Annual Report, the corporate governance information has been summarised in a separate section, whereas references to other parts of the Annual Report have been included in certain instances in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the DCG's annex.

Unless otherwise indicated, the information provided in this report reflects the situation as of the 31 December 2009.

TEMENOS Group AG is hereinafter referred to as "the Company" or "Temenos". TEMENOS Group AG and its affiliated companies are hereinafter referred to as "Temenos Group" or "the Group".

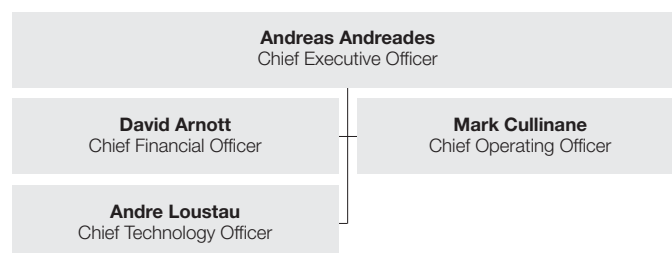
1. Group structure and shareholders

1.1 Group structure

The ultimate holding company, TEMENOS Group AG, is registered in Geneva, where the Group is also headquartered.

1.1.1 The Temenos Group is organised and managed by the CEO who is the head of the Executive Committee of the Management Board (Executive Committee). The Executive Committee has been in place since 1 December 2007.

This Committee comprises the following members:



The Group is managed using a matrix of global business functions supported by regional and sub-regional sales and service operations, incorporating activities of product development, product management, services management, marketing, key customer relationship management and product support functions.

The Group's product sales and services operations are divided into three main geographic regions:

- Europe, Middle East and Africa
- Asia Pacific
- Americas – including North and South Americas

The Group Development and Product Support centres are based in India (Chennai and Bangalore), Spain (Madrid) and United Kingdom (Hemel Hempstead). Temenos Development Centres and Help Desk departments operate from these locations.

1.1.2 TEMENOS Group AG is the sole listed company of the Group.

| | |
|------------------------------|--|
| Name | TEMENOS Group AG |
| Domicile | 18 Place des Philosophes 1205 Geneva, Switzerland |
| Listed at | SIX Swiss Exchange |
| First listing date | 26 June 2001 |
| Market capitalisation | CHF 1,607,201,423 |
| Security Number | 1245391 |
| ISIN number: | CH0012453913 |
| Symbol: | TEMN |
| Reuters: | TEMN.S |
| Bloomberg: | TEMN SW |

Please refer to the Information for Investors section for statistics on Temenos shares.

1.1.3 Please find below the main non-listed companies belonging to the Group:

(all companies are directly or indirectly wholly owned subsidiaries of TEMENOS Group AG, unless otherwise indicated)

| Name | Domicile | Country of Incorporation | Share Capital |
|---|-------------------|--------------------------|-----------------------------|
| ACTIS BSP Germany GmbH | Grosswallstadt | Germany | 500,000 DEM |
| ACTIS BSP IT Services GmbH | Frankfurt am Main | Germany | 50,000 DEM |
| ACTIS in Frankfurt GmbH | Frankfurt am Main | Germany | 100,000 DEM |
| BSP Partners GmbH & Co. KG | Grosswallstadt | Germany | 42,900 DEM |
| DBS Global Solutions (Pty) Limited | Cape Town | South Africa | 100 ZAR |
| Fairs Limited | London | United Kingdom | 50,000 GBP |
| Financial Objects (Risk Management) Limited | London | United Kingdom | 9,697 GBP |
| Financial Objects (UK) Limited | London | United Kingdom | 466,667 GBP |
| Financial Objects Inc. | Wilmington | USA | 1,500 shares (no par value) |
| Financial Objects Limited | London | United Kingdom | 950,528 GBP |
| Financial Objects Software (India) Private Limited | Bangalore | India | 3,258,020 INR |
| Fomento Empresarial de Servicios Informaticos SA de CV (ownership interest: 51%) | Mexico City | Mexico | 45,713,473 MXN |
| Genisys Technology Limited | London | United Kingdom | 51,505 GBP |
| Lydian Associates Limited | London | United Kingdom | 20 GBP |
| Quetzal Informatique SA | Paris | France | 235,280 EUR |
| SC TEMENOS Romania SA | Bucharest | Romania | 100,000 RON |
| TEMENOS (Malaysia) Sdn Bhd | Kuala Lumpur | Malaysia | 250,000 MYR |
| TEMENOS (NL) BV | Amsterdam | Netherlands | 18,152 EUR |
| TEMENOS (Thailand) Co. Limited | Bangkok | Thailand | 100,000,000 THB |
| TEMENOS Africa (Pty) Limited | Sunninghill | South Africa | 100 ZAR |
| TEMENOS Australia Pty Limited | Sydney | Australia | 2 AUD |
| TEMENOS Bulgaria EOOD | Sofia | Bulgaria | 10,000 BGN |
| TEMENOS Colombia SAS | Bogota | Colombia | 2,000,000 COP |
| TEMENOS Cyprus Limited | Nicosia | Cyprus | 100,000 EUR |
| TEMENOS Deutschland GmbH | Frankfurt am Main | Germany | 25,000 EUR |
| TEMENOS East Africa Limited | Nairobi | Kenya | 100,000 KES |
| TEMENOS Eastern Europe Limited | Nicosia | Cyprus | 809,856 EUR |
| TEMENOS Ecuador SA | Quito | Ecuador | 2,000 USD |
| TEMENOS Egypt LLC | Cairo | Egypt | 200 EGP |
| TEMENOS Finance Luxembourg Sarl | Capellen | Luxembourg | 12,500 EUR |
| TEMENOS France SAS | Paris | France | 500,000 EUR |
| TEMENOS Headquarters SA | Geneva | Switzerland | 100,000 CHF |
| TEMENOS Hellas SA | Chalandri | Greece | 60,000 EUR |
| TEMENOS Hispania SA | Madrid | Spain | 60,102 EUR |
| TEMENOS Holdings France SAS | Paris | France | 28,010,000 EUR |
| TEMENOS Holdings Limited (formerly TEMENOS Holdings NV) | Tortola | British Virgin Islands | 40,105 USD |
| TEMENOS Holland BV | Amsterdam | Netherlands | 19,000 EUR |
| TEMENOS Hong Kong Limited | Hong Kong | Hong Kong | 2 HKD |
| TEMENOS India Private Limited | Chennai | India | 2,962,000 INR |
| TEMENOS Investments BV | Amsterdam | Netherlands | 18,000 EUR |
| TEMENOS Japan KK | Tokyo | Japan | 10,000,000 JPY |
| TEMENOS Kazakhstan LLP | Almaty | Kazakhstan | 14,400,000 KZT |
| TEMENOS Korea Limited | Seoul | Korea | 50,000,000 KRW |
| TEMENOS Luxembourg SA | Capellen | Luxembourg | 1,181,250 EUR |
| TEMENOS Mexico SA de CV | Mexico City | Mexico | 10,760,900 MXN |
| TEMENOS Middle East Limited | Nicosia | Cyprus | 17,100 EUR |
| TEMENOS North Africa LLC | Casablanca | Morocco | 10,000 MAD |
| TEMENOS Philippines, Inc | Makati City | Philippines | 10,000,000 PHP |
| TEMENOS Polska Sp. Zo.o | Warsaw | Poland | 50,000 PLN |
| TEMENOS Singapore Pte Limited | Singapore | Singapore | 10,000 SGD |
| TEMENOS Software Canada Limited | Vancouver | Canada | 48,000 CAD |
| TEMENOS Software Shanghai Co. Limited | Shanghai | China | 140,000 USD |
| TEMENOS Suisse SA | Geneva | Switzerland | 7,500,000 CHF |
| TEMENOS Systems Ireland Limited | Dublin | Ireland | 4 EUR |
| TEMENOS UK Limited | London | United Kingdom | 2,198,844 GBP |
| TEMENOS USA, Inc. | Wilmington | USA | 1 USD |
| TEMENOS Vietnam Company Limited | Hanoi | Vietnam | 890,000,000 VND |
| T-JBASE SA | Geneva | Switzerland | 100,000 CHF |
| T-TCB SA | Geneva | Switzerland | 100,000 CHF |
| T-TFR SA | Geneva | Switzerland | 100,000 CHF |
| Viveo Group SA | Paris | France | 16,248,900 EUR |
| Viveo France SAS | Paris | France | 5,300,000 EUR |
| Viveo Banking & Finance Consulting SAS | Paris | France | 150,000 EUR |
| Viveo Switzerland SA (sold on 15 March 2010) | Geneva | Switzerland | 800,000 CHF |
| Viveo Romania SRL | Bucharest | Romania | 120,000 RON |
| Viveo EL Djazaïr Sarl | Algiers | Algeria | 1,000,000 DZD |
| Viveo Belgium SA | La Hulpe | Belgium | 200,000 EUR |
| Wealth Management Systems Limited | London | United Kingdom | 525,000 GBP |



1.2 Significant shareholders

To the best of our knowledge, please find below the list of shareholders who hold more than 3 percent of the voting rights of all issued shares, as of 31 December 2009.

| Name | Number of shares | Percentage of the share capital ¹ |
|--|------------------|--|
| Standard Life Investments | 2,976,314 | 4.97% |
| UBS Fund Management (Switzerland) AG | 1,872,496 | 3.13% |
| Threadneedle Asset Management Holdings Limited | 1,863,349 | 3.11% |
| Virmont Sarl | 1,854,963 | 3.10% |
| Credit Suisse Asset Management Funds AG | 1,842,311 | 3.08% |
| Massachusetts Mutual Life Insurance Company | 1,821'042 | 3.04% |

¹ On the basis of TEMENOS Group AG registered capital of 59,858,526 shares.

For more recent information on Temenos' major shareholders, please refer to page 96.

Disclosure notifications made in accordance with Article 20 of the Swiss Stock Exchange and Securities Trading Act are publicly available on:

http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2009, the ordinary share capital amounted to CHF 299,292,630 consisting of 59,858,526 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 129,230,885 and a conditional capital totalling CHF 44,531,265 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 69,653,400 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorised and conditional capital

Authorised capital

Pursuant to the Articles of Association (Article 3ter), the Board of Directors is authorised to increase the share capital to a maximum aggregate amount of CHF 129,230,885 through the issuance of a maximum of 25,846,177 fully paid-in registered shares with a par value of CHF 5 per share. An increase in partial amounts is permitted. This power expires on 20 June 2010.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights, as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board of Directors is authorised to restrict or withdraw the pre-emptive and subscription rights of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, the take-over of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)), the company's share capital may be increased by a maximum aggregate amount of CHF 44,531,265, through the issuance of a maximum of 8,906,253 registered shares, which shall be fully paid-in, with a par value of CHF 5 each, to officers, directors and employees at all levels of the Company and group companies. Pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiary or through the Company, to officers, directors and employees of the Company and group companies, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiary or to the Company for purposes of distribution to directors, officers or employees of the Company and group companies; (ii) new shares to be issued through the Subsidiary or through the Company, to employees of the Company or group companies shall be issued against payment of the par value of CHF 5 per each share in cash.

Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 69,653,400, by issuing up to 13,930,680 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 45,000,000, that is 9,000,000 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including the exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders: (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public; or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such cases, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

2.3 Changes in capital

| Statutory accounts | | | |
|---|---------------------|---------------------|---------------------|
| | 31.12.09 CHF 000 | 31.12.08 CHF 000 | 31.12.07 CHF 000 |
| Ordinary share capital | 299,293 | 295,027 | 291,707 |
| Conditional share capital | 114,185 | 118,450 | 118,450 |
| Authorised share capital | 129,231 | 129,231 | 132,551 |
| Share premium & capital reserve (incl. reserve for own shares) | 197,930 | 197,781 | 182,599 |
| Profit (loss) carried forward | 3,378 | 2,987 | 532 |
| Total equity | 500,601 | 495,795 | 474,838 |

2.4 Shares and participation certificates

All equity securities of Temenos are in the form of registered shares, each with a par value of CHF 5. Each share confers the right to one vote at the Annual General Meeting of Shareholders and all shares are fully entitled to receive dividends. The Company did not pay any dividends in 2009. The Articles of Association do not provide for privileged voting rights shares.

Temenos does not currently anticipate paying any dividends, as it intends to retain future earnings to finance the development and growth of its business. The Company does not issue participation certificates.

2.5 Profit sharing certificates

The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

There are no restrictions on the transfer of shares.

Only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Company shall recognise only one representative for each share. Nominee registrations are permitted.

2.7 Convertible bonds and warrants/options

Regarding stock options and warrants please refer to note 21 of the consolidated financial statements. With respect to the convertible bond issued on 20 March 2006, please refer to note 14 of the consolidated financial statements.



3. Board of Directors

The Board of Directors is elected by the shareholders and holds the ultimate decision-making authority of the Company for all matters except those reserved by law to the shareholders. The Board of Directors shall manage the business of the Company insofar as it has not been delegated to the CEO, who chairs the Executive Committee of the Company.

The Board of Directors exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter.

3.1 Members of the Board of Directors

As at 31 December 2009 the Board of Directors comprises the following six members, four of whom are non-executive:

| Name | Position |
|-----------------------|---|
| George Koukis | Chairman, Executive Director |
| Paul Selway-Swift | Vice-Chairman, Non-Executive and Independent Director |
| Andreas Andreades | Chief Executive Officer and Executive Director |
| Mark Austen | Non-Executive and Independent Director |
| Chris Pavlou | Non-Executive and Independent Director |
| Lewis Polk Rutherford | Non-Executive and Independent Director |

Please refer to page 20 for their biographies.

None of the non-executive members of the Board of Directors has or has had any senior management position within the Group. None of them has any significant business connections with the Group.

3.2 Other activities and vested interests

Except those mentioned in the biographies section on page 20, no member of the Board of Directors has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

3.3 Cross-involvement

(repealed)

3.4 Elections and term of office

3.4.1 Principles of the election procedure and term limits

The members of the Board of Directors are elected by the General Meeting of Shareholders for a term of three years. (A year begins on the date of the General Meeting of Shareholders and continues until the next General Meeting.) Upon the expiration of their terms of office the members may be re-elected immediately and without limitations. Moreover, the Board of Directors shall organise the election of its members in such a way as to ensure that at each ordinary General Meeting of Shareholders approximately one-third of the members shall complete their term of office. Members newly appointed during a term of office shall complete the term of office of their predecessor. At the Annual General Meeting of Shareholders, the Board members are individually (re)-elected.

3.4.2 First election and remaining term of office of each director

| Name | First elected | Elected until |
|-----------------------|---------------|---------------|
| George Koukis | 2001 | 2011 |
| Paul Selway-Swift | 2001 | 2012 |
| Andreas Andreades | 2001 | 2010 |
| Mark Austen | 2006 | 2012 |
| Chris Pavlou | 2001 | 2011 |
| Lewis Polk Rutherford | 2001 | 2012 |

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors

At its first session after the ordinary General Meeting of Shareholders, the Board elects its Chairman, Vice-Chairman and Secretary, who does not need to be a member of the Board of Directors.

The Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Chairman supervises the preparation of the General Meeting of Shareholders.

Position within the Board of Directors

| Name | Position |
|-----------------------|---------------|
| George Koukis | Chairman |
| Paul Selway-Swift | Vice-Chairman |
| Andreas Andreades | Member |
| Mark Austen | Member |
| Chris Pavlou | Member |
| Lewis Polk Rutherford | Member |

3.5.2 Composition, tasks and areas of responsibility for each Committee

The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions. These Committees are comprised mainly of non-executive and independent directors. These committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

| Name | Audit Committee | Compensation Committee | Nomination Committee |
|-----------------------|------------------|------------------------|----------------------|
| George Koukis | | | Member |
| Paul Selway-Swift | Member | Member/ Chairman | Member |
| Andreas Andreades | | | Member |
| Mark Austen | Member/ Chairman | | |
| Chris Pavlou | Member | Member | Member/ Chairman |
| Lewis Polk Rutherford | Member | | Member |

Audit Committee

The Audit Committee considers the Group's public reports, liaises with the external and internal auditors, and reviews the Group's internal controls, compliance with corporate governance rules and any other matters that may be brought to its attention by the internal and/or external auditors. The external and internal auditors are in attendance at all Audit Committee meetings.

Compensation Committee

The Group reviews, on an ongoing basis, the compensation of its employees worldwide, by reference to the prevailing market norms, at each of the locations in which it operates.

The Compensation Committee reviews, approves and makes recommendations on compensation practices and policies designed to develop a competitive, equitable and performance based package allowing Temenos to attract and retain top talent within the Group. The Compensation Committee also reviews, approves and makes recommendations on compensation packages concerning the executive members of the Board of Directors and members of the Executive Committee and seeks to confirm that such compensation is in line with market norms. Accordingly, the overall executive compensation is set at the top quartile of global software companies.

Nomination Committee

The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes; (ii) to establish qualification criteria for Board of Directors' membership and (iii) to give full consideration to succession planning for both members of the Board of Directors and members of the Executive Committee.

3.5.3 Work methods of the Board of Directors and its Committees

The Board of Directors meets as often as business requires, but at least four times a year, the Audit Committee meets at least twice a year and the Compensation and Nomination Committees meet at least once a year.

During 2009, the following numbers of meetings were held:

| Board/ Committees | Meetings held |
|------------------------|---------------|
| Board of Directors | 4 |
| Audit Committee | 4 |
| Compensation Committee | 3 |
| Nomination Committee | 1 |

The attendance at the meetings of the Board of Directors and its Committees was 100%. Moreover, both the external and internal auditors attended all the Audit Committee meetings in 2009.

The average duration of the meetings is as follows:

| Board/ Committees | Average duration (hours) |
|------------------------|--------------------------|
| Board of Directors | 4 |
| Audit Committee | 3.5 |
| Compensation Committee | 1.5 |
| Nomination Committee | 1 |

All directors may take independent professional advice, at the Company's expense, if they deem such a course of action necessary or appropriate for adequately discharging their duties. An external legal counsel was present at each of the Board of Directors meetings.

At the meetings of the Board of Directors and of its Committees, those members of the Executive Committee who have the relevant information and expertise required for the respective body to perform its duties are normally present. Such persons do not take part in any resolutions.

Furthermore, and during each Board of Directors meeting, a business report is presented by the Chief Executive Officer. Together with the Financial Report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company's business activities on a current basis.

3.6 Definition of areas of responsibility

The Board of Directors, together with its Audit, Compensation and Nomination Committees, exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter. The Board of Directors of Temenos decides in particular on significant acquisitions, disposals, strategic alliances, share repurchase programs and changes in the Group's structure and organisation, though its responsibilities are not limited to this.

Once a year, the Board of Directors reviews its conformity to corporate governance rules and evaluates its own performance. Moreover, the non-executive members of the Board of Directors assess the performance of each of the executive directors and vice versa.

Based on Article 17 of the Articles of Association of TEMENOS Group AG and Article 3.5 of the Organisation By-Laws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer, except where the law, the Articles of Association or the Organisation By-laws provide differently.

Under the direction and presidency of the Chief Executive Officer, the Executive Committee is composed of the CFO, COO and CTO.

In compliance with the Board of Directors' decisions, the Executive Committee is responsible for setting Group strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three year basis. Finally, the Executive Committee approves all products CAPEX investments, as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments

The Board of Directors is responsible for the Group's system of internal control, which covers objectives to ensure effective and efficient operation, accurate financial reporting, compliance with laws and regulations and safeguarding of assets.

The Head of Internal Audit reports directly to the Audit Committee and administratively to the Chief Executive Officer.

Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. The Group Risk Management function coordinates risk management through Temenos, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. Temenos integrates this risk management into its ongoing business planning process. Potential negative developments are evaluated, so that we can implement timely countermeasures if any events should lead to deviations from our business plan. Specialised functions such as Group Finance & Accounting, Group Quality and IT Security support regional organisations and control the effectiveness of risk management. The Internal Audit department aligns their activities to the risk management system.

Financial results are monitored by the Board of Directors on a quarterly basis. The executive directors monitor financial results on the basis of a formal monthly financial reporting system and on an ad hoc basis, whenever circumstances demand.



Every year, detailed budgets for each area of business are prepared for the year and then reviewed and approved by the Board of Directors. Responsibilities for financial performance against plans and for capital expenditure are delegated, with limits, to line management. A significant part of the Group's financial and management information is processed by, and stored on, computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. The Board ensures that measures continue to be taken to reinforce internal controls and to deal with necessary improvements that come to the attention of management and the Board. This is a goal which is pursued on an on-going basis while ensuring that an equilibrium is maintained between the minimisation of risk and costs associated with controls.

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2009, the Executive Committee comprises the following members:

Executive Committee

| Name | Position |
|-------------------|--------------------------|
| Andreas Andreades | Chief Executive Officer |
| David Arnott | Chief Financial Officer |
| Mark Cullinane | Chief Operating Officer |
| Andre Loustau | Chief Technology Officer |

Please refer to page 23 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on page 23, no member of the Executive Committee has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

4.3 Management contracts

No management tasks have been delegated to third parties.

5. Compensations, shareholdings and loans

5.1 Content and method of determining the compensation and the share-ownership programmes

For disclosure of participations and compensation as well as details on options and Stock Appreciation Rights (SARs), please refer to note 9 of the unconsolidated financial statements.

This section summarises the compensation programs for the executive members of the Board of Directors and for the Executive Committee (the "Executives") in 2009.

The Compensation Committee reviews, approves and makes recommendations on compensation packages concerning the Executives and seeks to confirm that such compensation is fair in relation to the person's skills and their position and consistent with best market practice. For more information on the Compensation Committee, please refer to section 3.5.2.

The objectives of Temenos compensation programs are to:

- 1 Attract, motivate and retain highly talented and performance-driven executives who have the potential to make the greatest impact on Temenos' success.
- 2 Reinforce a pay-for performance culture by having a significant portion of compensation packages linked to the achievement of results and growth that is significantly higher than the peer group of global software companies.
- 3 Align Executives' interests with shareholders' interests by having a substantial amount of compensation linked to Temenos' stock performance.

Temenos has used Deloitte LLP on an advisory basis. With the assistance of Deloitte LLP, Temenos has benchmarked the compensation of the Executives against those of 15 global software companies. This was supplemented by compensation data extracted from broad surveys on executive compensation. Accordingly, the overall executive compensation is set at the top quartile when compared to that of other global software companies; however, the largest part of variable compensation is only paid upon achievement of profit and revenue growth targets which are higher than that achieved on average by our peer group.

The components of compensation for Executives comprise base salary, benefits, annual bonus and long term incentive (Equity Based Stock Appreciation Rights (SARs) and stock options.

The on-target annual bonus applicable to the Executives represents an average of 98% of their base salary. Annual bonus is conditional upon achievement of key financial performance targets (EPS growth or Group profits targets), strategic individual business objectives depending on their functions within the Group and continuous employment. In case the achievement is below a predefined threshold, which is 10% below the set target in the case of EPS, profit and operating cash flow, there is no bonus payout; in case of overachievement, there is an accelerator up to a maximum of 200% of the on-target bonus.

The SARs are conditional on cumulative EPS targets over 3 years. In case the achievement is below the predefined threshold of 80% there is no SARs grant; in case of overachievement, there is an accelerator up to a maximum of 200% of the initial bonus or SARs grant. The maximum face value (number of SAR x grant price) of SARs grant is up to 400% of base salary depending on the position of the Executive.

Stock options are not granted automatically on an annual basis, but are granted on an exceptional basis; the main objectives being to attract and retain key talent.

The emoluments of the non-executive members of the Board of Directors are quantified by reference to the time spent on the Board and on its Committees' meetings and related matters.

Insider trading:

According to the insider trading section of the Temenos Business Code of Conduct, the black out periods are defined as follows:

No director or employee should make any purchase or sale of Temenos securities (e.g. shares, options, SARs):

- during the period beginning ten trading days prior to publication of quarterly financial results and ending on the day of such public announcement;
- during the period beginning at the time of any public earnings-related announcement or public announcement of a significant corporate transaction or event and ending upon the completion of the second full trading day after such announcement;
- during such other periods as may be established from time to time by management in light of particular events or developments affecting Temenos; and
- during any other period when he or she has knowledge of any material non-public information concerning Temenos.

5.2 Transparency of compensation for shareholdings of and loans to issuers domiciled abroad

Not applicable to Temenos.

6. Shareholders' participation

6.1 Voting-rights and representation restrictions

6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights.

According to Article 6 of the Company's Articles of Association, "Every entry of an acquirer of shares is subject to the Board of Directors' consent. The Board of Directors may refuse its consent if, at its request, the acquirer does not explicitly declare to acquire and to hold the shares in his own name and for his own account or if the form filed by the acquirer to request registration contains untrue information or statements."

6.1.2 No such refusal has ever occurred.

6.1.3 This statutory restriction may be abolished by an amendment of the Articles of Association which requires a decision taken by the simple majority at the General Meeting of Shareholders (Article 9 (1) and 15 of the Articles of Association).

6.1.4 Shareholders may represent their shares in person or appoint a representative by written proxy. They may alternatively appoint their custodian bank, the Company or the independent proxy holder.

6.2 Statutory quorums

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority of the votes validly cast, subject to the compulsory exceptions provided by law.

6.3 Convocation of the General Meeting of Shareholders

In compliance with the Swiss Code of Obligations, the General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting.

6.4 Agenda

One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Inscriptions into the share register

Pursuant to Article 13 §1 of the Company's Articles of Association, shareholders entered in the share register as shareholders on a specific qualifying date designated by the Board of Directors shall be entitled to attend and vote at the General Meeting.

In order to attend and vote at the Annual General Meeting of Shareholders, proxy holders of deposited shares (according to Article 689d CO) are requested to inform the Company of the number of shares represented by them as early as possible, but no later than 2 business days before the Annual General Meeting of Shareholders.

Only persons registered in the share register are considered as shareholders by Temenos.

The Ninth Annual General Meeting of Shareholders of the Company will be held in Geneva on 4 June 2010. The agenda of the Annual General Meeting of Shareholders is published and sent to each shareholder in French and English. Shareholders recorded in the share register on 14 May 2010 are entitled to vote.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no "opting out" or "opting up" clause in the Articles of Association of TEMENOS Group AG.

7.2 Clauses on changes of control

In the event of a change of control of the majority of Temenos stock, all non-vested stock options and SARs shall become vested and exercisable immediately provided that their respective vesting period has started. Typically, the vesting period starts one year following the grant date.

The contractual notice periods of the executive members of the Board of Directors and members of the Executive Committee do not exceed twelve months; there are no severance payment clauses.

In case of resignation, dismissal or redundancy, all unvested Options and SARs are immediately forfeited. Options and SARs that are vested but unexercised as of the 60th calendar day following termination of the contract of employment are cancelled.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

8.1.1 PricewaterhouseCoopers SA ("PwC") was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 5 June 2009 for a period of one year (PwC was first elected in 2003).

8.1.2 The lead auditor for the Group audit is Mr. Mike Foley, who was elected for the first time at the General Meeting of Shareholders of TEMENOS Group AG held on 27 June 2003.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,178,000 representing audit fees charged to the Temenos Group by PricewaterhouseCoopers (these fees are inclusive of the statutory audit fees).

8.3 Additional fees

In addition, other fees of approximately USD 606,000 have been incurred through the provision of tax advisory and other professional services by PricewaterhouseCoopers.

Please find below a breakdown of the additional fees:

| | USD 000 |
|--------------------------------------|----------------|
| Tax Compliance | 111 |
| Transactions | 126 |
| Non Audit Fee – Audit related | 237 |
| Tax Advisory | 298 |
| Other Advisory | 71 |
| Non Audit related | 369 |
| Total Non Audit Fee | 606 |



8.4 Information tools pertaining to the external audit

The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual work plan and fees, and reviewing their findings on quality control procedures as well as steps taken by the auditors to respond to changes in regulatory and other requirements. At the end of almost all Audit Committee meetings, the Audit Committee members spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have direct access to its Chairman when necessary. The Chairman of the Audit Committee then reports at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.

At the beginning of the year, the Audit Committee pre-approves an amount of permitted services that may be performed by the external auditors. Such services are then reviewed on a regular basis at Audit Committee meetings. For any other audit or non-audit related services beyond the above-mentioned limit, authorisation is required from the Chairman of the Audit Committee upon recommendation from the CFO.

9. Information policy

Temenos is committed to open and transparent communication with its shareholders and wider stakeholders.

Updates

Temenos publishes an annual report for the year to 31 December and an interim report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional company-specific information is available at <http://www.temenos.com/Investor-Relations/>. In addition, those interested can sign up on the Temenos website to receive updates on new initiatives as well as financial news and the latest customer signings.

Contacting Temenos

To contact the Company, please either write to the Investor Relations team at TemenosIR@temenos.com or Ariel Boussiba, Company Secretary at aboussiba@temenos.com.

Meeting Temenos

On 4 June 2010, Temenos will hold its Annual General Meeting in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the Group's strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos' investor relations programme. Furthermore, all directors are available to meet shareholders if requested.

A list of roadshows and conferences Temenos will attend in 2010 is published on the Company's website and updated regularly at <http://www.temenos.com/Investor-Relations/Financial-Calendar/>.

Temenos Business Code of Conduct

It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct has been drawn up in this respect and is reviewed annually by the Board of Directors.

This Code of Conduct describes the policies and procedures governing the relationship between the employee and Temenos, and is considered a part of the employment relationship.

This Code of Conduct is distributed to all new employees and acknowledged. It is available on the Temenos website and intranet (central repository database).