

# INVITATION TO THE 16<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS OF TEMENOS GROUP AG

to be held on Wednesday 10 May 2017, at 11.30 a.m.  
(doors open at 11.00 a.m.) at Temenos offices:  
2 rue de l'Ecole-de-Chimie  
1205 Geneva  
Switzerland



## Chairman's Letter

Dear Shareholders,

It is my pleasure to invite you to the 16<sup>th</sup> annual shareholders' meeting of Temenos. Before addressing matters for consideration at this upcoming shareholders' meeting, I would first like to briefly review our performance in 2016, which was another outstanding year for Temenos.

### Thoughts on our performance in 2016

2016 was a year during which our clients continued to enjoy positive economic conditions in most parts of the world. The technology upgrade cycle that started in 2015 continued robustly into 2016. The mobile revolution is changing our everyday lives and our clients are adapting their strategies and resulting technology investment to a new world of immediate interaction with their customers.

Clearly this presents our clients with the biggest opportunity for a generation to differentiate and innovate as well as create new business models that will ensure that their customers' trust is put to great use. Digital banking, a term that until now meant different things to different people, is better understood, and the appreciation the impact that this new world will have on banks is far reaching and is becoming mainstream. Digital banking is not only about a modern interface on mobile or internet channels but it is about exploiting customer data, both transactional and otherwise, and product availability that allows the bank to offer a meaningful and rewarding experience to its customers when they interact digitally with their banks.

Not only are millennials expecting a constant and immediate interaction with their favourite brands, but the move towards fast payments and cashless societies is causing transaction volumes to grow exponentially. Banks' technology, largely implemented in the 1970s and 1980s is clearly not in a position to cope with this new world. Digital banking is therefore the most disrupting force we had in the world of banking for at least a generation and has the potential to create new global and regional winners.

Cloud computing is also starting to come of age in the world of application software for banks. Regulators have largely embraced the opportunity that the cloud offers to banks to run their operations more efficiently, the security that the major cloud providers offer is better understood and issues around data residence are largely dealt with in most parts of the world even though we expect to see some geographies deal with these issues faster than others. Today it is a reality that a fully functioning new digital bank can be up and running on the cloud in a matter of months with minimal capital investment. We have seen a number of banks pursuing this strategy as a fast route to market.

During 2016 we focused on growing our organic business, investing relentlessly in our products, global infrastructure and our partner ecosystem which has allowed us to grow our implementation capabilities and ensure successful deployment of our software. The acquisitions we executed in 2015 were fully integrated and contributed significantly to our successful growth. As a result of all of this, we generated record revenues, cash flows and profitability in the history of Temenos and we are therefore also proposing an increased dividend for 2016. Our revenue and profitability growth, arguably the best in the industry, is setting us apart.

We will continue to specialise in the financial services industry with packaged software that becomes better every year because of our strong recurring investment and we will continue to outpace our competitors every year because of this. Key banks are preferring to work with Temenos because they know that selecting a software provider is probably one of the most important decisions they will ever have to make and are increasingly more comfortable to do so with the industry leader.

Our robust corporate structure and governance underpin all our efforts and contribute to an environment of trust with our stakeholders that is so critical in growing our relationships. As a global company, we have been operating at an exceptionally high standard of integrity in complying with the laws and regulations of the countries in which we operate – in some cases higher standards than required by national laws or regulations. We have integrated sustainability into our policies and processes, our business planning, measurement and reporting systems, our management practices, decision-making and governance; in other words, into the way we operate. In that way, we have been better prepared to anticipate global business, social and environmental challenges and actively manage the risks and opportunities associated with them.

In 2016, in order to make that expectation clear to all our stakeholders, we have launched an internal cross departmental project to explicitly align our Business Code of Conduct and our corporate policies with the ten principles of the United Nations Global Compact, as well as the OECD Guidelines for Multinational Enterprises. In addition, we are committed to measuring our non-financial performance and reporting on it along with our financial performance. This is detailed in the Corporate Social Responsibility section of the 2016 annual report.

Influencing the way banking is carried out for the 21<sup>st</sup> century continues to be our end goal, one that guides our daily endeavours. With more than 2,000 banking clients in 145 countries worldwide, we are well on our way in doing so. With a local investment mind-set, we hope we also successfully contribute to the economies of the world where our clients do business. The success of all who are involved with Temenos, be it clients, shareholders, partners or employees, will always underpin the positive development of our business.

## Chairman's Letter continued

### The 16<sup>th</sup> Ordinary General Meeting of Shareholders

Out of the proposed agenda, I would like to highlight the proposed election of Mr. Peter Spenser to the Board of Directors. Mr. Spenser has extensive experience in advising financial institutions on their technology investments, particularly in the US. He was a senior partner at Deloitte Consulting in New York for 21 years during which time he held a number of senior roles including head of the Global Financial Services IT practice, before retiring in 2016. Mr. Spenser has an exceptional understanding of the Financial Services IT landscape, and brings a wealth of experience in advising financial institutions on their technology roadmaps. In particular, his deep knowledge and relationships with US financial institutions will significantly strengthen our US strategy.

### Final thoughts

With the increasing pressures of digitisation and cost, banks are placing IT renovation at the heart of their strategies for future growth and profitability. We continue to benefit from multiple structural drivers and are taking market share in a growing market. As such, I am confident in our outlook for both 2017 and the medium term.

With the continued strong growth in both cash flows and profitability in 2016, we have proposed a dividend of CHF 0.55 per share for 2017, a substantial increase on the previous year.

I look forward to seeing as many of you as possible in Geneva on 10 May 2017.



Andreas Andreades  
Chairman

## Agenda and Proposals of the Board of Directors

### 1. 2016 Annual Report (including the Compensation Report), 2016 annual financial statements, 2016 consolidated financial statements and the auditors' reports

#### Proposal

The Board of Directors proposes that the 2016 Annual Report (including the Compensation Report), the 2016 unconsolidated financial statements stating a profit for the year of CHF 7,925,532 and the 2016 consolidated financial statements stating a consolidated profit for the year of USD 115,834,475 be approved.

### 2. Allocation of the available earnings

#### Proposal

The Board of Directors proposes to allocate the available earnings of CHF 18,982,372 as follows:

Appropriation to general legal reserve	CHF	396,277
Retained earnings to be carried forward	CHF	18,586,095

#### Explanation

As per Swiss law, 5% of the profit for the current year must be allocated to the general legal reserve until its carrying amount is equal to 20% of the paid-up share capital. The remainder of the profit for the current year is transferred to accumulated retained earnings.

### 3. Distribution of general reserve from capital contributions

#### Proposal

Based on the audited financial statements for the financial year 2016, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.55 per share, for a total amount of CHF 37,668,000 (this amount may vary depending on the number of treasury shares and of shares created out of conditional capital as of the ex-dividend date).

This distribution shall be declared out of the disposable amount of the general reserve from capital contributions as at 31 December 2016 taking the legal form of an ordinary dividend in cash. From a tax standpoint, this ordinary dividend constitutes a repayment of part of the general reserve from capital contributions.

As a result, the general reserve from capital contributions at 31 December 2016, amounting to CHF 189,622,073 will be reduced as follows:

General reserve from capital contributions (at the disposal of the General Meeting)	CHF	189,622,073
Distribution of general reserve from capital contributions	CHF	37,668,000
Carry forward the balance of	CHF	151,954,073

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 15 May 2017 (Ex date). The dividend record date will be set on 16 May 2017 (Record date) and the dividend will be payable as of 17 May 2017 (Payment date).

Temenos treasury shares are not entitled to dividend.

### 4. Discharge of the members of the Board of Directors and executive management

#### Proposal

The Board of Directors proposes that the members of the Board of Directors and executive management be granted discharge for the financial year 2016.

### 5. Authorised capital

#### Proposal

The Board of Directors proposes the deletion of the existing article 3ter of the Articles of Association and the adoption of the following new article 3ter authorising the Board of Directors to create authorised capital until 10 May 2019. The proposed amount represents less than 20% of the registered share capital of the Company. Only the paragraph 1 of article 3ter is modified; the rest of this article remains as per the existing wording.

#### Proposed new article 3ter para. 1

The Board of Directors is authorised to increase the share capital no later than 10 May 2019, by an amount not exceeding CHF 69,500,000 by issuing up to 13,900,000 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

### 6. Compensation of the members of the Board of Directors and of the Executive Committee for the year 2018

#### 6.1 Compensation of the members of the Board of Directors for the year 2018 (1 January-31 December)

##### Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 7,415,000 as fixed and variable compensation of the members of the Board of Directors for the financial year 2018.

##### Explanation

Please refer to the Annex.

## Agenda and Proposals of the Board of Directors continued

### 6. Compensation of the members of the Board of Directors and of the Executive Committee for the year 2018 continued

#### 6.2 Compensation of the members of the Executive Committee for the year 2018 (1 January-31 December)

##### Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 18,500,000 as fixed and variable compensation of the members of the Executive Committee for the financial year 2018.

##### Explanation

Please refer to the Annex.

### 7. Elections of the members of the Board of Directors

#### 7.1 Election

##### Proposal

The Board of Directors proposes the election of Mr. **Peter Spenser** as member of the Board of Directors (independent and non-executive) until completion of the next ordinary annual general meeting of shareholders.

British and American, born in 1954, Mr. Peter Spenser has over 35 years of experience in the financial services sector and technology. Until June 2016 he was a senior Partner at Deloitte Consulting in the US where in addition to serving a number of major clients (Global Banks, Brokerages and Wealth & Asset Managers), he led a number of practice areas including the Investment Management practice and also the Global Financial Services IT and Data Analytics practices. Prior to this he was Director of Engineering at AcquiData, Inc. which he co-founded (1985–1990), Director of Software Systems at Magnaflux, Inc. (1982-1985) and a developer/analyst at Logica (1979–1982). Mr. Spenser has a BA and MA in Theoretical Physics from Cambridge University and a Ph.D. in Astrophysics from University College London.

#### 7.2 Re-elections

##### Proposal

The Board of Directors proposes the re-elections of Mr. **Andreas Andreades** as member and Chairman of the Board of Directors and Messrs. **George Koukis**, **Ian Cookson**, **Thibault de Tersant**, **Sergio Giacometto-Roggio**, **Erik Hansen** and Ms. **Yok Tak Amy Yip** as members of the Board of Directors, each for a term of office until completion of the next ordinary annual general meeting of shareholders.

##### 7.2.1 Mr. Andreas Andreades, member and Executive Chairman of the Board of Directors

Cypriot, born in 1965, Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. In July 2012 he was appointed Executive Chairman of the Temenos Board of Directors. Since he joined Temenos, the Company has grown from less than 150 employees to more than 4,300 and to more than 2,000 customers generating in excess of USD 630 million in annual revenues and achieving a market capitalisation of more than USD 5 billion, establishing it as the global leader in banking software. Since 2003 the market capitalisation of Temenos has grown by approximately 90 times or a compound average growth of 40% p.a. Mr. Andreades started his career with KPMG in London in 1988 and then with PepsiCo between 1994 and 1999. Mr. Andreades holds a Master's engineering degree from the University of Cambridge and is a United Kingdom qualified chartered accountant. Mr. Andreades is the Chairman of Temenos Nomination Committee. As Executive Chairman Mr. Andreades supports, advises, counsels and provides guidance to the Executive Committee. He provides guidance and support directly to the CEO and CFO/COO on a regular basis. He also attends the monthly Product Board where product strategy and funding are decided and execution is monitored. The Chairman is very heavily involved in acquisitions and in key client/prospect relationships that often require the CEO and/or Chairman's participation to bring key deals to fruition as well as representing Temenos on key project deliveries through Steering committee representation. He therefore works full time in an executive capacity and is jointly responsible together with the CEO and CFO/COO to the Board of Directors for the development and delivery of the strategic plan and the annual business and financial plan.

##### 7.2.2 Mr. Sergio Giacometto-Roggio, member and Vice-Chairman of the Board of Directors

Swiss, born in 1949, Mr. Sergio Giacometto-Roggio's current portfolio of positions includes Chairman of Oberthur Technologies Holding and Operating Partner with Advent International. In December 2008, Mr. Giacometto-Roggio retired from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. Prior to joining Oracle in 1997, Mr. Giacometto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacometto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacometto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy. Mr. Giacometto-Roggio is the Chairman of Temenos Compensation Committee and a member of its Audit and Nomination Committees.

##### 7.2.3 Mr. George Koukis, member of the Board of Directors

Greek & Australian, born in 1946, Mr. George Koukis, as founder of Temenos, was Chairman of the Board of Directors until July 2011. Mr. George Koukis has been active in the software industry for more than 40 years, having begun at Qantas where he was heavily involved with the computerisation of the company's management accounting department. He then spent six years with Management Science America in Australia where he held various management positions, including managing director. Mr. Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered Certified Practising Accountant (CPA). Mr. Koukis is currently Chairman of the Board of Trustees of the Classical Opera, a non-profit organisation based in the United Kingdom and is a Board member in seven private companies operating mainly in IT and Green Technologies.

Mr. Koukis is a Fellow of King's College London and he is also an Adjunct Professor at the University of Technology Sydney, Australia.

## Agenda and Proposals of the Board of Directors continued

### 7. Elections of the members of the Board of Directors continued

#### 7.2 Re-elections continued

##### 7.2.4 Mr. Ian Cookson, member of the Board of Directors

Swiss, born in 1947, Mr. Ian Cookson has been active in the financial services sector for over 30 years and has built one of the most efficient IT operations in Private Banking worldwide. Mr. Cookson acted as Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, and he was previously a member of the Executive Committee of EFG Bank (since 2002). Prior to this, Mr. Cookson was the Deputy Chief Executive Officer of EFG Bank (1997-2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991-1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986-1991). Mr. Cookson is a member of Temenos Audit, Compensation and Nomination Committees.

##### 7.2.5 Mr. Thibault de Tersant, member of the Board of Directors

French, born in 1957, Mr. Thibault de Tersant is a member of the Board of Dassault Systèmes and has been executive vice president and CFO of the company since 1988 and Senior EVP since 2006. During his tenure in Dassault Systèmes, Mr. de Tersant, who manages an organisation in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M&A, has conducted more than 80 successful acquisitions totalling around USD 5 billion. He oversaw Dassault Systèmes' successful initial public offering on the Paris and Nasdaq stock exchanges in 1996, as well as a secondary offering in 1997. Mr. de Tersant has more than 25 years of experience in the software industry. Mr. Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris. Mr. Thibault de Tersant is the Chairman of Temenos Audit Committee.

##### 7.2.6 Mr. Erik Hansen, member of the Board of Directors

Danish, born in 1952, Mr. Erik Hansen is a recognised software industry veteran with over 30 years of experience as a senior executive at leading software companies. Mr. Hansen is currently Chairman of the Board of Myriad Group AG having previously been CEO and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Mr. Hansen held several senior leadership roles at companies including TIBCO Software (2000-2004), TA Triumph Adler (1994-1997) and Apple (1990-1994), both in Europe and in the United States. Mr. Hansen holds a degree from the business college in Horsens, Denmark. Mr. Hansen is a member of Temenos Compensation Committee.

##### 7.2.7 Ms. Yok Tak Amy Yip, member of the Board of Directors

Chinese (Hong Kong), born in 1951, Ms. Amy Yip has over 35 years of experience in global financial markets covering different aspects of the industry. She is currently a Managing Partner of RAYS Capital Partners Limited, an Executive Director of Vitagreen, Hong Kong, an independent and non-executive director of AIG Hong Kong, a member of the Supervisory Board of Deutsche Börse AG, Frankfurt and a non-official member of the Commission on Strategic Development of the Central Policy Unit of Hong Kong Special Administrative Region. Ms. Yip began her career at the Morgan Guaranty Trust Company of New York (1978-1985), going on to hold progressively senior appointments at Rothschild Asset Management (1988-1991) and Citibank Private Bank (1991-1996). Ms. Yip also served as an Executive Director of Reserves Management at the Hong Kong Monetary Authority from 1996 to 2006, where she was responsible for the investment of the assets of the Exchange Fund of Hong Kong. In 2006, Ms. Yip returned to the private sector as the Chief Executive Officer of DBS Bank (Hong Kong) Limited (2006 to 2010), where she was concurrently Head of the Wealth Management Group at DBS Bank. Ms. Yip was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region in July 2000. Ms. Yip holds an M.B.A. from Harvard Business School and a BA from Brown University. Ms. Yip is a member of Temenos Nomination Committee and is proposed for election to the Compensation Committee.

### 8. Elections of the members of the Compensation Committee

#### 8.1 Election

##### Proposal

The Board of Directors proposes the election of **Ms. Yok Tak Amy Yip** as member of the Compensation Committee for a term of office until completion of the next ordinary annual general meeting of shareholders.

#### 8.2 Re-elections

##### Proposal

The Board of Directors proposes the re-elections of **Messrs. Sergio Giacometto-Roggio, Ian Cookson and Erik Hansen** as members of the Compensation Committee, each for a term of office until completion of the next Ordinary Annual General Meeting of Shareholders.

8.2.1 Mr. Sergio Giacometto-Roggio

8.2.2 Mr. Ian Cookson

8.2.3 Mr. Erik Hansen

### 9. Election of the independent proxy holder

#### Proposal

The Board of Directors proposes the re-election of the law firm **Perréard de Boccard S.A.** as independent proxy holder until completion of the next ordinary annual general meeting of shareholders.

### 10. Election of the auditors

#### Proposal

The Board of Directors proposes the re-election of **PricewaterhouseCoopers S.A.**, Geneva, as auditors for a new term of office of one year.

## Documentation, Participation and Proxies

### Documentation

The 2016 Annual Report (including the Compensation Report), annual financial statements, consolidated financial statements, auditors reports, minutes of the last Ordinary General Meeting of Shareholders as well as the current Articles of Association may be ordered at Company's headquarters and are also available on [www.temenos.com/en/about-temenos/investor-relations/](http://www.temenos.com/en/about-temenos/investor-relations/).

### Participation

Shareholders recorded in the share register with voting rights by **28 April 2017 at 5.00 p.m. CET** (record date) are entitled to vote at the forthcoming General Meeting and will receive by post the invitation to this General Meeting; they may then order their admission card from the share register.

### Representation and proxies

Shareholders who are unable to attend in person may appoint a representative by written proxy or the independent proxy holder, **Perréard de Bocard S.A.**, as their representative for this General Meeting. Alternatively, shareholders can provide their voting instructions electronically to the independent proxy holder using the password and as per the instructions to be indicated in the invitation to be sent to the shareholders. Any voting instructions shall be received by **9 May 2017 at noon CET** at the latest.

On behalf of the Board of Directors



Andreas Andreades  
Chairman

31 March 2017

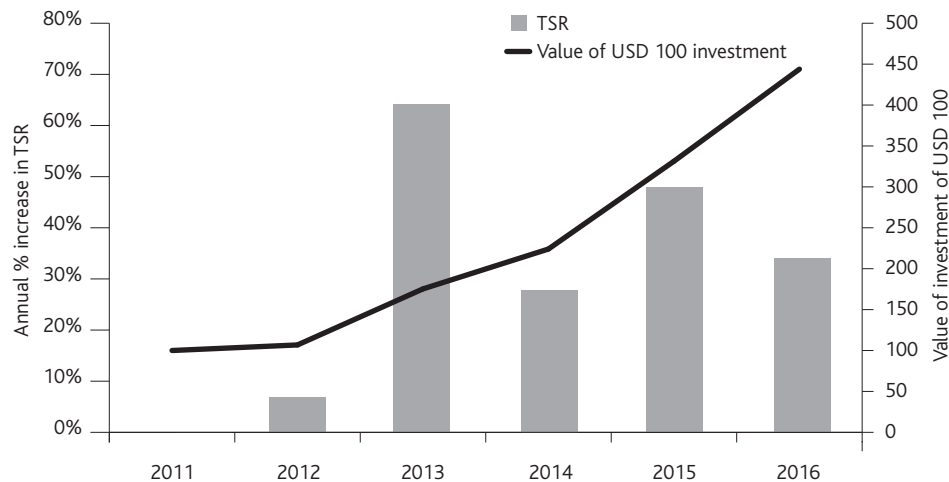
## Annex – Shareholder Information on the Compensation Votes

### Dear Shareholders,

In 2016 Temenos achieved record revenues, profits and cash flows which resulted in an increase in total shareholder return of 34% for the calendar year.

This caps a five year performance which is outstanding, with a compound average growth rate of 35% in total shareholder return. The graph below shows the five year history of growth per annum and cumulative growth. An investment in Temenos shares of USD 100 at the beginning of 2012, was worth USD 440 at the end of 2016.

### Growth in Total Shareholder Return (TSR)



We have seen growth in non-IFRS total software licensing of 21% this year, growth in non-IFRS operating profit of 19% and growth in net operating cash of 14%. Temenos has again increased its market share and has sustained its position in the market as the global leader in banking software. Temenos' success, past and future, is the result of the skills and dedication of its people; reward, motivation and retention of these individuals in driving this success is key to our remuneration policy.

The Compensation Committee is focused on ensuring we have the support of our shareholders on the compensation and as such we have gathered feedback from our stakeholders this year which we have taken into account. In 2016, we have made the following improvements that we believe build even stronger links between executive compensation and shareholder value.

- We have added share ownership rules for the Executive Chairman and members of the Executive Committee which have already come into effect in 2016;
- We have disclosed targets and achievement levels for the short term variable in 2016;
- We are adding malus and clawback provisions in our variable long term equity incentive plans (LTIP) in future grants; and
- We have reviewed our peer group to ensure it is as representative as possible.

Our objective is to be clear, comprehensive and transparent on the pay and benefits of our members of the Board of Directors and Executive Committee and to comply with Swiss law and best corporate governance practice.

At the Annual General Meeting in May 2015 the shareholders approved a maximum compensation for the Board of Directors of USD 6.3 million for the calendar year 2016, and a maximum compensation for the Executive Committee of USD 17.5 million. The actual compensation pay-out for the Board of Directors was USD 6.1 million and for the Executive Committee was USD 15.3 million.

At the Annual General Meeting in May 2016 the shareholders approved a maximum compensation for the Board of Directors of USD 7.3 million for the calendar year 2017, and a maximum compensation for the Executive Committee of USD 18.5 million.

For 2018, the Board of Directors is not proposing an increase in compensation other than the compensation for one additional Non-Executive Director. Specifically, the maximum compensation for the Board of Directors is USD 7.415 million and for the Executive Committee is USD 18.5 million.

Temenos and its Compensation Committee remain committed to continued dialogue with shareholders, and we welcome regular feedback on our compensation policies. We count on your support at the AGM in May.

Sergio Giacometto-Roggio  
Chairman of the Compensation Committee



## Annex – Shareholder Information on the Compensation Votes continued

### 1. Compensation principles

#### 1.1 Compensation Elements of the Executive Chairman and the members of the Executive Committee

To attract and retain key talent, it is important that we offer competitive compensation compared to global market levels. The elements of executive compensation, together with their objectives, are:

<b>Fixed salary</b>	<ul style="list-style-type: none"> <li>To pay executives for their expected day-to-day management, leadership and contribution to the business.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>To provide a level of security in health and retirement and, should it be required, in disability and death.</li> </ul>
<b>Variable short term incentive</b>	<ul style="list-style-type: none"> <li>To make a significant portion of executive overall annual compensation variable and dependent on delivery of the Company's annual key targets of non-IFRS total software licensing, cash collection, non-IFRS EBIT and non-IFRS EPS growth.</li> <li>The variable short term incentive has a 90% threshold, i.e. below 90% achievement on the said Key Performance Indicators (KPIs) the payout is zero, and a maximum cap on achievement of 150% of the target KPIs.</li> </ul>
<b>Variable long term equity incentive plan (LTIP)</b>	<ul style="list-style-type: none"> <li>To provide a significant portion of compensation via long term equity incentives, linked to long term shareholder value creation.</li> <li>To incentivise sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth.</li> <li>To retain executives for the long term.</li> <li>LTIP's have a threshold of 85%, i.e. below 85% achievement on the said KPIs the payout is zero, and a maximum of 140% if all targets are exceeded by 20%.</li> <li>LTIPs have a minimum vesting period of three years and are issued at market price.</li> </ul>

#### 1.2 Comparator Group

To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviews benchmark data collated from a range of organisations in the technology sector.

Temenos has reviewed its Comparator Group for 2016. The Group has been selected based on the following criteria:

- Companies targeted for hiring talent into Temenos;
- Software companies that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics and complexity;
- Major European software companies; and
- Financial services software companies that industry analysts rank as global top performers.

Based on shareholder feedback, we have reviewed the peer group and aligned it to further represent our market. Temenos is approximately at the median market capitalisation of our peer group of USD 5.4 billion, and at USD 0.6 billion just slightly lower than the median revenue of our peer group of USD 1 billion.

A large part of our comparator group are companies based in the US. This is due to the fact that the majority of the global software players originate in the US (73 of the top 100 global software companies are based in the US according to research by PwC in 2014 with only less than ten being European Software companies) and therefore they represent a significant part of our direct competitors.

As a result the following 17 companies have been selected for the benchmark:

Organisation	Country	Organisation (continued)	Country (continued)
ACI Worldwide	USA	Micro Focus International plc	UK
AVG	Netherlands	Netsuite	USA
Broadridge Financial Solutions	USA	Quality Systems	USA
Fidelity National Information Services	USA	SDL	UK
Fidessa Group plc	UK	Simcorp	Denmark
Fiserv	USA	Software AG	Germany
Jack Henry & Associates	USA	SS&C	USA
Intuit	USA	The Sage Group	UK
Logitech International	Switzerland		

## Annex – Shareholder Information on the Compensation Votes continued

### 1.3 Foreign exchange impacting the compensation

The largest part of the on-target compensation relates to the long term equity incentive plan. The Stock Appreciation Right (SAR) price and hence LTIP value is quoted in dollars and as such there is no impact of exchange. However, some members are paid fixed and short term variable in currencies other than USD. The exchange rates used for 2018 are:

USD/CHF: 1

USD/GBP: 0.8

The approval request is based on the above exchange rates and as a result the final USD value may differ.

### 1.4 Compensation Elements of the members of the Board of Directors (excluding Executive Chairman)

The Non-Executive Directors are compensated with a fee for their Board duties, together with a supplementary fee for Audit and Compensation Committee chairs.

## 2. Explanation of proposals

Based on the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (OaEC) and on Temenos' Articles of Association, the Board of Directors proposes to hold separate votes on the compensation of the Board of Directors and the Executive Committee.

We have chosen voting on prospective compensation to support attraction, motivation and retention of global talent by ensuring that compensation is approved up front. Prospective voting also allows the Board to gain valuable feedback in advance of the compensation being committed.

The vote for both the Board of Directors and for the Executive Committee is for the full calendar year 2018.

Full details of 2016 compensation are provided on pages 101-117 of the 2016 Annual Report. The 2016 Annual Report, including the Compensation Report is available electronically under: [www.temenos.com/en/about-temenos/investor-relations/reports/](http://www.temenos.com/en/about-temenos/investor-relations/reports/).

## 3. Proposed total compensation for members of the Board of Directors for the year 2018

*The Board of Directors proposes to approve a maximum aggregate amount of USD 7,415,000 (CHF 7,415,000) as fixed and variable compensation of the members of the Board of Directors for the financial year 2018.*

The proposal for 2018 comprises all Directors proposed for election and re-election, i.e.:

- Andreas Andreades, Executive Chairman
- Sergio Giacoletto-Roggio, Vice Chairman
- Ian Cookson
- Thibault de Tersant
- Erik Hansen
- George Koukis
- Amy Yip
- Peter Spenser who will be proposed for election to join the Board of Directors from 10 May 2017.

The table below shows the total maximum amount of compensation of USD 7.415 million for which we request approval for the members of the Temenos Board of Directors including the Executive Chairman. The compensation for both 2017 and 2018 is based on our maximum forecast. All figures are shown in USD thousands.

Fiscal year	Fixed fee/ salary	Variable short term incentive (Executive Chairman only) <sup>1</sup>	All other compensation	LTIP value (Executive Chairman only) <sup>2</sup>	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval
<b>2018</b>	1,452	942	155	4,679	<b>7,229</b>	186	<b>7,415</b>	<b>7,415</b>
2017	1,417	942	155	4,679	<b>7,194</b>	189	<b>7,383<sup>3</sup></b>	<b>7,300</b>

<sup>1</sup> The variable short term incentive is explained in further detail in section 5.1.

<sup>2</sup> The LTIP is explained further in section 5.2.

<sup>3</sup> The increase of USD 0.1million compared to shareholder approval for 2017 is due to the addition of Peter Spenser to the Board in May 2017 subject to shareholder approval.

Following the increase approved for 2017, the Board of Directors proposes no increase for 2018 other than the USD 0.1 million that is due to the addition of Peter Spenser to the Board in May 2017 subject to shareholders' approval. We expect fixed salary, board fees, bonus and LTIP to be constant per individual Board member compared to 2017. Once elected, Mr. Spenser will receive a non-executive fee in line with other Non-Executive Directors of USD 105,000, and we have included eight months of cost in 2017. As per our articles we may exceed up to 40% of the aggregate amount of compensation for new members. For 2018 he has been included for a full year.

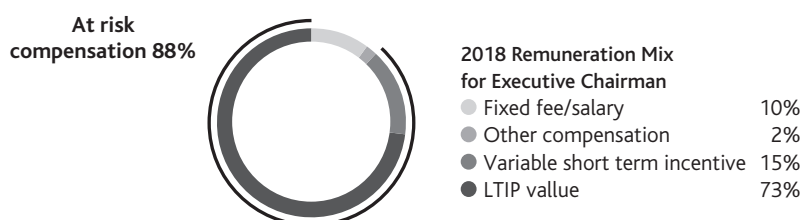
## Annex – Shareholder Information on the Compensation Votes continued

### 3. Proposed total compensation for members of the Board of Directors for the year 2018 continued

The allocation between Executive Chairman and Non-Executive Directors for the fiscal year 2018 is as below. Non-Executive Directors do not receive any short term variable pay nor do they participate in LTIP programmes.

Function	Fixed fee/ salary	Variable short term incentive (Executive Chairman only)	All other compensation	LTIP value (Executive Chairman only)	Total compensation	Employer social security charges	Total compensation including employer social security charges
Executive Chairman	628	942	134	4,679	<b>6,384</b>	136	<b>6,520</b>
Non-Executive Directors	824	0	21	0	<b>845</b>	50	<b>895</b>

The 2018 proposal for the Executive Chairman is reflected in the chart below, where 88% of the total compensation (short term variable and long term equity incentive) is subject to achievement of performance measures. The Board believes that the high proportion of variable pay aligns the Executive Compensation with the long term success of the company and creation of long term shareholder value.



### 4. Proposed total compensation for members of the Executive Committee for the year 2018

The Board of Directors proposes to approve a maximum aggregate amount of USD 18,500,000 (CHF 18,500,000) as fixed and variable compensation of the members of the Executive Committee for the financial year 2018.

As of 1 April 2017 the Executive Committee comprises the following members:

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer and Chief Operating Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director

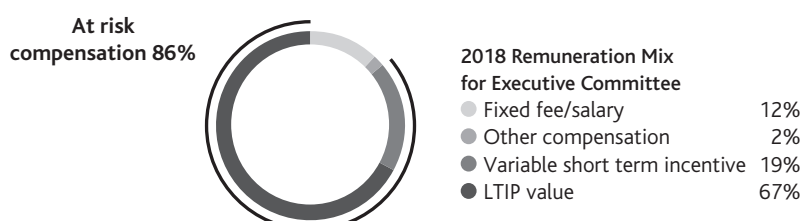
The table below shows the total maximum amount of compensation for which we request approval of USD 18.5 million for the members of the Executive Committee. The compensation for both 2017 and 2018 is based on our maximum forecast. All figures are shown in USD thousands.

Fiscal year	Salary	Variable short term incentive <sup>1</sup>	All other compensation	LTIP value <sup>2</sup>	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval
<b>2018</b>	2,044	3,094	254	11,194	<b>16,587</b>	1,863	<b>18,450</b>	<b>18,500</b>
2017	2,032	3,048	258	11,196	<b>16,534</b>	1,920	<b>18,454</b>	<b>18,500</b>

<sup>1</sup> The variable short term incentive is explained in further detail in section 5.1.

<sup>2</sup> The LTIP is explained further in section 5.2.

The 2018 proposal is reflected in the chart, where 86% of the maximum total compensation is subject to achievement of performance targets (LTIP and short term variable). The Board believes that the high proportion of variable pay aligns the executive compensation with the long term success of the company and creation of long term shareholder value.



## Annex – Shareholder Information on the Compensation Votes continued

### 5. Explanation of variable components of compensation

#### 5.1 Variable short term Incentive

The 2018 variable short term incentive is subject to achievement of targets. We expect to use the following KPIs for the Executive Chairman, CEO and CFO/COO:

- Non-IFRS Total Software licensing (weighting of 40%)
- Non-IFRS EPS (weighting of 30%)
- Net Operating Cash (weighting of 30%)

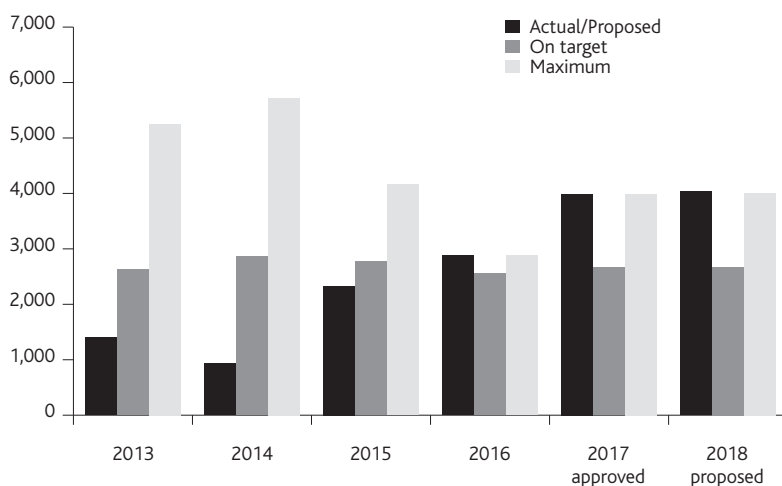
The targets for the CTO and Group Product Director are expected to be:

- Non-IFRS Total Software licensing (weighting of 40%)
- Non-IFRS Operating Profit (weighting of 30%)
- Operating Cash Inflows (weighting of 30%)

The targets will be based on the 2018 budget to be approved by the Board of Directors. The Board will set challenging targets consistent with past years; for example, for fiscal years 2013 and 2014 the actual payout was much lower than the on-target achievement for the Executive Chairman, CEO and CFO/COO (2013: 63%, 2014: 32%) because of lower than target achievement in some or all of the measures. 2015 and 2016 have been very successful years for Temenos and the Executive Chairman, CEO and CFO/COO overachieved against their targets.

The trend for the actual achievement for the Executive Chairman and full Executive Committee versus the on-target and maximum potential variable short term incentive are shown in the graphs below:

Variable compensation for Executive Chairman and Executive Committee



#### 5.2 Long term equity incentive plan

Temenos Long term equity incentive plan is based on SARs. A SAR is an incentive given to employees that aligns their interest with shareholders and is equal to the appreciation of company stock over an established time period. Similar to employee stock options, SARs are beneficial to the employee when company stock prices rise; the difference with SARs is that employees do not pay the exercise price but receive the sum of the increase in stock or can choose to sell the stock immediately and receive cash. This means that the dilution on outstanding SARs is only known at the time of exercise as it is dependent on the share price at that time. As an example, if 1,000 SARs at a grant price of USD 35 are exercised when the share price is USD 70, then the gain is USD 35,000, equivalent to a 500 share dilution.

When issuing SARs the Compensation Committee reviews the planned dilution to ensure that it remains within our target of no more than 2% p.a. on a CAGR basis. The dilution for the period 2013-2016 on a CAGR basis was 1.1% p.a., this being the vesting period of the last 2 SAR schemes which paid out at or close to target. This compares to an EPS growth of 19% p.a. on a CAGR basis for the same period.

We propose to grant the 2018 SARs award in 2018 after the announcement of the results for the financial year 2017. The SARs will be granted at the closing market price of the Temenos stock on the day of the grant. The number of SARs will be calculated based on an option value per SAR on that day.

Vesting of the 2018 SARs award is subject to active employment to the end of the vesting period which is the date of approval by the Board of Directors of the financial results of Temenos for the year ending 31 December 2020 expected in February 2021. We expect that the award will be split into two parts which are independent of each other: 60% is on non-IFRS EPS targets and 40% is on non-IFRS product revenue targets for the years 2018 to 2020 inclusive.

## Annex – Shareholder Information on the Compensation Votes continued

### 5. Explanation of variable components of compensation continued

#### 5.2 Long term equity incentive plan continued

The award will be the greater of:

- i) Annual targets being achieved, divided equally (33.3%) for achievement in each year, 2018, 2019 and 2020 of the plan. There is no overachievement element on the awards linked to annual targets.
- ii) Cumulative target achievement being greater than 85% of the sum of the annual targets. For achievement between 85% target and 100% of target a pro-rated reduced amount will vest. No SARs will vest at lower than 85% achievement of the targets. Any overachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown:

Cumulative non-IFRS EPS or non-IFRS product revenues:	85%	92.5%	100%	110%	120%
Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	0%	50%	100%	120%	140%

As with every prior scheme, three year 2018-2020 non-IFRS EPS and non-IFRS Product Revenue performance targets for the 2018 Executive SAR scheme will be determined by the Board of Directors. Targets will continue to be set at challenging levels to maintain the direct link between pay and performance. Our intention is that the Executives benefit if they create value for the shareholders. The targets for the 2018-2020 plan will be set when the three year plan is completed towards the end of 2017, however, as an indication, the targets for non-IFRS EPS for 2017-2019 are based on a CAGR of 15% for the three year period. Targets for non-IFRS product revenues are considered commercially sensitive and it would be detrimental to the interests of the Company to disclose them in advance. The performance against those measures will be disclosed on vesting subject to sensitivity no longer remaining.

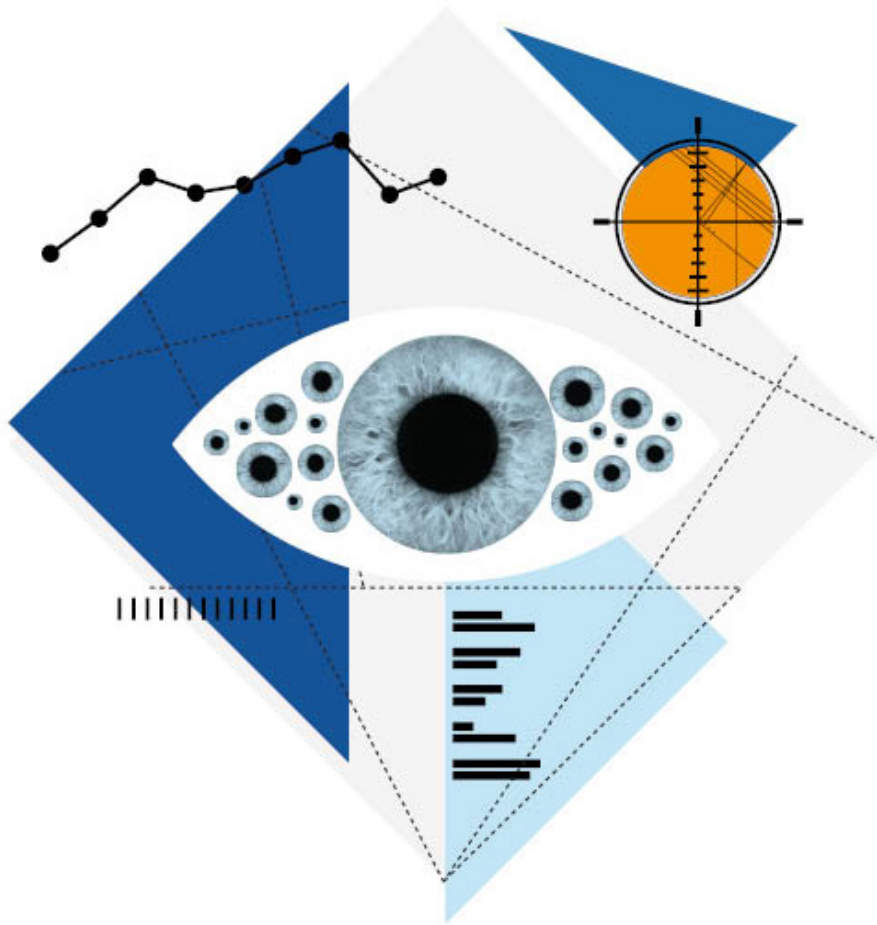
Temenos accounts for long term incentive compensation under IFRS 2 standards. SARs are valued on a fair value basis by an independent organisation using the Enhanced American Model which complies with IFRS 2. The on target value is included in the compensation report and also in the proposal to shareholders for approval of compensation. The model uses a number of variables such as stock volatility in determining the fair value of the grant.

For the 2018 proposed grant, the charge of USD 4.7 million for the Executive Chairman and USD 11.2 million for the Executive Committee that we are seeking shareholder approval for, will only be realised if:

- All performance targets are met; and
- There is continued employment until February 2021.

If we assume a CAGR growth on the share price of 15% which is in line with the non-IFRS EPS CAGR growth we are assuming for 2017-2019 plan, then the growth in share price for the period of 2018-2020 would be approximately CHF40 per share. This implies a shareholder value creation of USD 2.7 billion or compared to the total compensation charge of USD 26 million (total of Executive Chairman and Executive Committee) that we are requesting, representing 1% of the shareholder value created in the vesting period.


Temenos Headquarters SA  
2 Rue de L'Ecole-de-Chimie  
CH-1205 Geneva  
Switzerland  
Tel: +41 22 708 1150  
Fax: +41 22 708 1160  
www.temenos.com



---

©2017 TEMENOS HEADQUARTERS SA – all rights reserved.  
Warning: This document is protected by copyright law and international treaties. Unauthorised reproduction of this document, or any portion of it, may result in civil and criminal penalties, and will be prosecuted to the maximum extent possible under law.

---

TEMENOS is a registered trademark and  is a trademark of the TEMENOS Group. For further details on the registered TEMENOS Group trademarks – please refer to the website [www.temenos.com](http://www.temenos.com).