



**TEMENOS**  
the banking software company

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**INVITATION TO THE  
17<sup>TH</sup> ORDINARY GENERAL  
MEETING OF SHAREHOLDERS  
OF TEMENOS GROUP AG  
("THE COMPANY")**

to be held on Tuesday 15 May 2018 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

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Temenos Group AG  
Invitation to the 2018 Annual General Meeting



# CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to invite you to the 17<sup>th</sup> annual shareholders' meeting of Temenos. Before addressing matters for consideration at this upcoming shareholders' meeting, I would first like to review our outstanding performance and the industry trends in 2017.

## THOUGHTS ON OUR PERFORMANCE IN 2017

Banking represents the single largest untapped vertical market that is only gradually converting to packaged software. The market opportunity that we address with our software is estimated to be USD 48 billion. Given this opportunity, the Temenos business model was always about growth. Growth in revenues, growth in client numbers, growth in employees, growth in profits. Building more software, selling more software and implementing more software. And in 2017 we did just that, with our growth accelerating during the last quarters of the year. Our profits and cash flows were clearly at record levels and this also resulted in a record stock price.

The customers of banks increasingly demand a full digital experience, innovative services with instant gratification and a user experience equal to the standards already set by the global technology companies. Open banking initiatives, starting in Europe, are already resulting in a far more competitive market place for banking services. Fintech companies, banks and technology players are now able to take advantage of open banking initiatives to deliver real time, personalized services to their customers that are relevant and contextual.

With industry drivers stronger than ever, we see sustained demand for our products from banks around the world. Being truly digital is now better understood; it encompasses both front office and back office systems that are capable of running on cloud, massively scalable to take into account ever increasing volume of transactions, whilst exposing services through a library of APIs that allow banks to become platform companies and create network effects.

As has been the case in other industry verticals that have switched to packaged software before banks, a very small number of software vendors manage to successfully invest enough to capture the opportunity. Usually the winner in the market takes most of the market as better product, more client successes, and a stronger ecosystem of partners makes its value proposition far superior to what competitors can offer. In 2017, Temenos continued to build very solid foundations to ensure that it is the company that will remain the key software provider to the banking industry and over a period of time capture most of the opportunity. We won most, if not all strategic deals in the market and continued to demonstrate unparalleled progress and success with our implementations. Our superior growth, as well as the scale of our business, allows us to invest more aggressively than our competitors, providing our clients with a superior platform and a partnership model that has stood the test of time based on upgradeable packaged software.

During 2017 we acquired Rubik, a software as a service vendor to Australian banks and financial institutions that has been a Temenos partner since 2008. With the help of Rubik, we now have the necessary infrastructure in Australia, one of the largest software markets in the world, that will allow us to expand our presence in that market.

In our 2017 Annual Report we have reported extensively on our commitment to corporate social responsibility and the progress we made during 2017. I would like to highlight one issue which is particularly close to our hearts – about 2 billion of the world's population is still unbanked. With every new software sale we make in emerging markets, we help reduce this number and through this contribute towards giving people an opportunity to combat poverty. And we will continue to do so.

In 2018 we will celebrate 25 years of Temenos. We remain as excited by what we do as we were 25 years ago and this guides our everyday actions and decisions. From the very beginning, we believed in our people and the uniqueness of our products. Everywhere we conducted business we turned our client advocates into successful global banks and we continue to do so today. It is the same belief that pushed us to relentlessly invest all these years, to operate with a long term strategic mind set, whilst creating a sense of urgency that every moment counts, every deal counts, every implementation is important and every client is important whatever its size. We were always hands on, we were close to the issues, close to our clients and product and we will continue to be so. We were sharply focused on our market and the direction it was taking and throughout remained humble with our success and we will continue to do so. We operate at a much larger size today but still with the energy and enthusiasm of a start-up, as if it is the first day in Temenos for each one of us.

I will repeat what I said last year; that 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 endeavors. With more than 3,000 banking clients in 145 countries worldwide, we are well on our way to 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 17<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

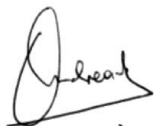
Please refer to the enclosed agenda for the items to be voted on. I would highlight the Compensation Report included in the 2017 Annual Report provides details of our approach to compensation and the targets and controls we have put in place. We prioritize compensation linked to performance to ensure we are strongly aligned with our shareholders and focused on creating long term value. Please also refer to the AGM annex for details of the compensation proposals.

### FINAL THOUGHTS

Banks are under pressure from digitization, cost and the move to open banking. As the leading vendor in a market that is underpinned by multiple structural drivers, I am confident we will continue to deliver strong growth in 2018 and the medium term.

We have proposed a dividend of CHF 0.65 per share for 2017, an increase of 18% on the previous year.

I look forward to seeing as many of you as possible in Geneva on 15 May 2018.



**Andreas Andreades**  
Executive Chairman

# AGENDA AND PROPOSALS OF THE BOARD OF DIRECTORS

## 1. 2017 ANNUAL REPORT INCLUDING THE COMPENSATION REPORT, THE 2017 UNCONSOLIDATED FINANCIAL STATEMENTS AND THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

### Proposal

The Board of Directors proposes that the 2017 Annual Report including the compensation report, the 2017 unconsolidated financial statements stating a profit for the year of CHF 3,286,360 and the 2017 consolidated financial statements stating a profit for the year of USD 138,405,958 be approved.

## 2. ALLOCATION OF THE AVAILABLE EARNINGS

### Proposal

The Board of Directors proposes to allocate the available earnings of CHF 40,927,450 as follows:

Appropriation to general legal reserve	CHF 164,318
Retained earnings to be carried forward	CHF 40,763,132

## 3. DISTRIBUTION OF GENERAL RESERVE FROM CAPITAL CONTRIBUTIONS

### Proposal

Based on the audited financial statements for the financial year 2017, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.65 per share, for a total amount of CHF 45,000,000 (this amount may vary depending on the number of treasury shares and of issued shares 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 2017 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 2017, amounting to CHF 150,842,332 will be reduced as follows:

General reserve from capital contributions (at the disposal of the General Meeting)	CHF 150,842,332
Distribution of general reserve from capital contributions	CHF 45,000,000
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Carry forward the balance of	CHF 105,842,332

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 18 May 2018 (Ex date). The dividend record date will be set on 22 May 2018 (Record date) and the dividend will be payable as of 23 May 2018 (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 2017.

## 5. CHANGE OF THE COMPANY'S CORPORATE NAME

### Proposal

The Board of Directors proposes to change the corporate name of the Company from TEMENOS Group AG to TEMENOS AG by amending article 1 of the Articles of Association as follows:

### Proposed new article 1

"Under the corporate name of TEMENOS AG (TEMENOS SA, TEMENOS LTD) (hereinafter the "Company") exists a corporation pursuant to article 620 et seq. of the Swiss Code of Obligations (hereinafter "CO") with registered offices in Geneva. The duration of the Company is unlimited."

## AGENDA AND PROPOSALS OF THE BOARD OF DIRECTORS continued

### 6. CONDITIONAL CAPITAL

#### Proposal

The Board of Directors proposes to increase the amount of conditional capital for employee compensation schemes from 2,945,426 shares (i.e. 4.16% of the registered share capital) to a total of 7,000,000 shares (representing a maximum dilution of 9.88% of the registered share capital). The Board of Directors is therefore proposing to amend the first paragraph of article 3 quater (1) of the Articles of Association as follows:

#### Proposed new first paragraph of article 3 quater (1)

"The share capital may be increased by an amount not exceeding CHF 35,000,000 by issuing up to 7,000,000 new registered shares to be fully paid-in with a nominal value of CHF 5 each through the exercise of the rights that the direct or indirect subsidiaries of the Company (the "Subsidiaries") or the Company itself may grant to officers, directors and employees at all levels of the Company and the Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded."

The rest of article 3 quater (1) remains unchanged.

### 7. COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE FOR THE YEAR 2019

#### 7.1 Compensation of the members of the Board of Directors for the year 2019 (1 January to 31 December)

##### Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.5 million as fixed and variable compensation of the members of the Board of Directors for the financial year 2019.

##### Explanation

Please refer to the Annex.

#### 7.2 Compensation of the members of the Executive Committee for the year 2019 (1 January to 31 December)

##### Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 23.1 million as fixed and variable compensation of the members of the Executive Committee for the financial year 2019.

##### Explanation

Please refer to the Annex.

### 8. ELECTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

#### Proposal

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

#### 8.1 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 4,900 and to more than 3,000 clients generating in excess of USD 730 million in annual revenues and achieving a market capitalization close to USD 9 billion, establishing it as the global leader in banking software. Since 2003 the market capitalization of Temenos has grown by approximately 126 times or a compound average of 40% per annum. 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 a member of Temenos Nomination Committee.

#### 8.2 Mr. Sergio Giacoletto-Roggio, member and Vice-Chairman of the Board of Directors

Swiss, born in 1949, Mr. Sergio Giacoletto-Roggio is currently an Operating Partner with Advent International, a Global Private Equity firm. Mr. Giacoletto-Roggio has served since 2009 in multiple public and private Company Boards, after retiring from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. He was most recently Chairman of the Supervisory Board of Oberthur Technologies Group, Paris from April 2013 until May 2017. Prior to joining Oracle in 1997, Mr. Giacoletto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacoletto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.

Mr. Giacoletto-Roggio is the Chairman of Temenos Compensation Committee and a member of the Audit and Nomination Committees.

## AGENDA AND PROPOSALS OF THE BOARD OF DIRECTORS continued

### 8. ELECTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS continued

#### 8.3 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 computerization 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 organization 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.

#### 8.4 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 the Chairman of Temenos Nomination Committee and a member of Temenos Audit and Compensation Committees.

#### 8.5 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 Chief Financial Officer of the company since 1988 and Senior EVP since 2006. During his tenure in Dassault Systèmes, Mr. de Tersant, who manages an organization 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 5bn. 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. de Tersant is the Chairman of Temenos Audit Committee.

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

Danish, born in 1952, Mr. Erik Hansen is a recognized 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 Chief Executive Officer 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), Siemens Pyramid Technology Inc. (1997-2000), 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.

#### 8.7 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, an independent non-executive director of Fidelity Funds Board and a member of the Supervisory Board of Deutsche Börse AG. 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 and Compensation Committees.

# AGENDA AND PROPOSALS OF THE BOARD OF DIRECTORS continued

## 8. ELECTIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS continued

### 8.8 Mr. Peter Spenser, member of the Board of Directors

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.

Mr. Spenser is a member of Temenos Audit Committee.

## 9. ELECTIONS OF THE MEMBERS OF THE COMPENSATION COMMITTEE

### Proposal

The Board of Directors proposes the re-elections of Ms. **Yok Tak Amy Yip** as well as of Messrs. **Sergio Giacoletto-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.

### 9.1 Mr. Sergio Giacoletto-Roggio

### 9.2 Mr. Ian Cookson

### 9.3 Mr. Erik Hansen

### 9.4 Ms. Yok Tak Amy Yip

## 10. 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.

## 11. 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.

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## DOCUMENTATION

The 2017 Annual Report (including the compensation report, the unconsolidated financial statements, the consolidated financial statements and the auditors reports), the minutes of the last ordinary General Meetings of Shareholders as well as the current Articles of Association may be ordered at Company's headquarters and are also available on: <https://www.temenos.com/en/about-temenos/investor-relations/>.

## PARTICIPATION

Shareholders recorded in the share register with voting rights as of **2 May 2018 at 5 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 [areg.ch](http://areg.ch), the company managing the share register of Temenos Group AG.

## 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 Boccard 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 indicated in the invitation to be sent to the shareholders. Voting instructions shall be received by **11 May 2018 at 5 p.m. CET** at the latest.

On behalf of the Board of Directors



**Andreas Andreades**  
Executive Chairman

29 March 2018



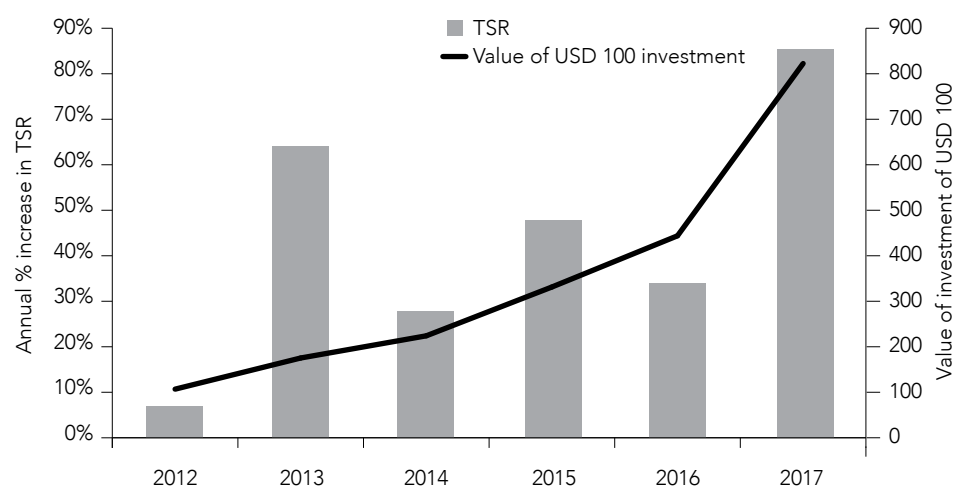
## ANNEX – INFORMATION ON THE COMPENSATION PROPOSALS (7.1 & 7.2)

Dear Shareholders,

I am pleased to report that 2017 was another remarkable year in terms of growth in shareholder return, with the share price increasing by 76% from CHF 71 to CHF 125 in the twelve months.

The graph below shows the 5 year history of annual and cumulative growth with the CAGR being 50%.

### Growth in Total Shareholder Return (TSR)



Below is the comparison of the TSR to our peer group and to the S&P global software index:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Temenos	64.1%	27.8%	47.9%	34.0%	85.3%
Peer group average	50.8%	9.3%	11.7%	19.0%	30.4%
S&P Global Software Index	40.6%	17.0%	14.6%	11.3%	40.6%

We are requesting approval for compensation for the financial year 2019 for the following amounts:

- Board of Directors: USD 7.5 million (for 2018: USD 7.4 million)
- Executive Committee: USD 23.1 million for 5 members (for 2018: USD 18.5 million for 4 members)

This is the second consecutive year that we are requesting a zero increase in compensation for our Board of Directors and the members of the Executive Committee as at 31 December 2017 (4 members). The increase of the Executive Committee compensation for 2019 compared to 2018 is solely due to the addition of a new member, Mr. Jean-Michel Hilsenkopf, who was promoted to Chief Revenue Officer in January 2018. I am pleased that we have added a sales role to the Executive Committee and congratulate Mr. Hilsenkopf on this promotion.

We have continued to make improvements to our governance in 2017:

- The Executive Chairman and members of the Executive Committee have all met their share ownership targets as per the Temenos policy.
- Together with Willis Towers Watson (WTW), we performed a review of our comparator group, both regarding the companies to be included and to benchmark the LTI. Since the vast majority of software vendors are US based and as Temenos competes in a global market place, we believe it is right and fair to include a large proportion of US companies in our comparator group. In order to also represent Swiss and other European practices to an adequate extent we have restricted the contribution of US companies in the peer group mix to 50%.

The Compensation Committee remains committed to dialogue with shareholders. During 2017, our major shareholders have been asking that we focus on growth. As a result, we changed the allocation of our LTIP targets in 2018 from 60% non-IFRS EPS and 40% non-IFRS Product Revenues to 40% non-IFRS EPS and 60% non-IFRS Product Revenues.

We welcome regular feedback on our compensation policies and will be also seeking further feedback later in the year. We look forward to receiving your support at the AGM in 2018.

**Sergio Giacometto-Roggio**  
Chairman of the Compensation Committee

## ANNEX – INFORMATION ON THE COMPENSATION PROPOSALS (7.1 & 7.2) continued

### 1. COMPENSATION PRINCIPLES

#### 1.1. Compensation Elements of the Executive Chairman and the members of the Executive Committee (the “Executives”)

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>	· To pay Executives for their expected day-to-day management, leadership and contribution to the business.
<b>Benefits</b>	· To provide a level of security in health and retirement and, should it be required, in disability and death.
<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, SaaS annual contract value, 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. The maximum cap on achievement is 150% of the target payout if all targets are exceeded by 25%.</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 incentivize 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>· LTIPs have a threshold of 85%, i.e. below 85% achievement on the said KPIs the payout is zero. The maximum cap on achievement is 140% of the target payout 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 organizations in the technology sector.

Temenos has reviewed its comparator group for 2017 together with Willis Towers Watson. 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.

AVG and Netsuite were acquired during 2017, and have therefore been replaced by Citrix and Wirecard. All other companies are the same as those used in 2016. Temenos is close or about at the median market capitalization of our comparator group of USD 10 billion and is approaching the median revenue of our comparator group with USD 0.7 billion of revenues in 2017.

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

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

Organization	Country	Organization	Country
ACI Worldwide	USA	Micro Focus International plc	UK
Broadridge Financial Solutions	USA	Quality Systems	USA
Citrix	USA	SDL	UK
Fidelity National Information Services	USA	Simcorp	Denmark
Fidessa Group plc	UK	Software AG	Germany
Fiserv	USA	SS&C	USA
Jack Henry & Associates	USA	The Sage Group	UK
Intuit	USA	Wirecard	Germany
Logitech International	Switzerland		

#### 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 rights (SARs) price and hence LTIP value is quoted in dollars and as such there is no impact of exchange. However, some Executives are paid fixed and short term variable in currencies other than USD. The exchange rates used for 2019 are:

- USD/CHF: 0.9763
- USD/GBP: 0.7412

The amounts proposed for approval are based on the above exchange rates and as a result the actual USD cost may differ.

## ANNEX – INFORMATION ON THE COMPENSATION PROPOSALS (7.1 & 7.2) continued

### 1. COMPENSATION PRINCIPLES continued

#### 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 of Directors to gain valuable feedback in advance of the compensation being committed.

The proposed amounts of compensation for both the Board of Directors and for the Executive Committee are for the full calendar year 2019.

Full details of 2017 compensation are provided on pages 110-128 of the 2017 Annual Report (compensation report). The 2017 Annual Report is available electronically under: <https://www.temenos.com/en/about-temenos/investor-relations/reports/>

### 3. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2019

The Board of Directors proposes to approve a maximum aggregate amount of USD 7.5 million (CHF 7.3 million) as fixed and variable compensation of the members of the Board of Directors for the financial year 2019.

The Board of Directors proposal for 2019 compensation comprises all directors proposed for re-election:

the Executive Chairman:

- Andreas Andreades

and the Non-Executive Directors:

- Sergio Giacometto-Roggio, Vice Chairman
- Ian Cookson
- Thibault de Tersant
- Erik Hansen
- George Koukis
- Amy Yip
- Peter Spenser

The table below shows the total maximum amount of compensation of USD 7.5 million for which we request approval for the members of the Board of Directors including the Executive Chairman. The compensation for both 2018 and 2019 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 (Executive Chairman only) <sup>2</sup>	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval
2019	1,465	961	146	4,679	7,251	180	7,431	7,500
2018	1,368	941	163	4,680	7,152	191	7,343	7,415

<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.

Temenos proposes no increase for 2019 compensation for the Board of Directors for the second consecutive year. The increase of USD 0.1 million is solely due to the movement in the exchange rate.

The allocation between Executive Chairman and Non-Executive Directors for the fiscal year 2019 is as below. Non-Executive Directors do not receive any short term variable pay nor do they participate in LTIP programmes. All figures are shown in USD thousands.

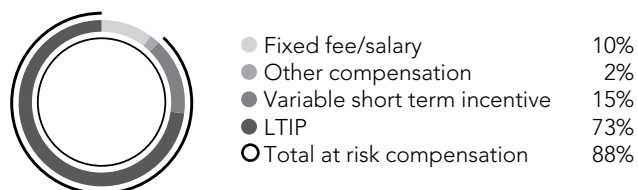
Function	Fixed fee/ salary	Variable short term incentive (Executive Chairman only)	All other compensation	LTIP (Executive Chairman only)	Total compensation	Employer social security charges	Total compensation including employer social security charges
Executive Chairman	641	961	132	4,679	6,414	136	6,550
Non-Executive Directors	824	0	14	0	838	43	881

## ANNEX – INFORMATION ON THE COMPENSATION PROPOSALS (7.1 & 7.2) continued

### 3. COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2019 continued

The 2019 proposal for the Executive Chairman compensation 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 of Directors 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.

#### 2019 EXECUTIVE CHAIRMAN



### 4. COMPENSATION FOR MEMBERS OF THE EXECUTIVE COMMITTEE FOR THE YEAR 2019

The Board of Directors proposes to approve a maximum aggregate amount of USD 23.1 million (CHF 22.6 million) as fixed and variable compensation of the members of the Executive Committee for the financial year 2019.

Effective as of 12 January 2018, the Executive Committee comprises the following members:

- David Arnott, Chief Executive Officer (CEO)
- Max Chuard, Chief Financial Officer and Chief Operating Officer (CFO/COO)
- Jean-Michel Hilsenkopf, Chief Revenue Officer (CRO)
- André Loustau, Chief Technology Officer (CTO)
- Mark Winterburn, Chief Product Officer (CPO)

The table below shows the proposed total maximum amount of compensation for the members of the Executive Committee of USD 23.1 million. The compensation for both 2018 and 2019 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 <sup>2</sup>	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval <sup>3</sup>
2019	2,499	3,748	282	14,430	20,960	2,024	22,984	23,100
2018 forecast (inc CRO)	2,499	3,748	282	14,430	20,960	2,024	22,984	25,900
2018 as approved	2,032	3,048	258	11,196	16,534	1,920	18,454	18,500

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

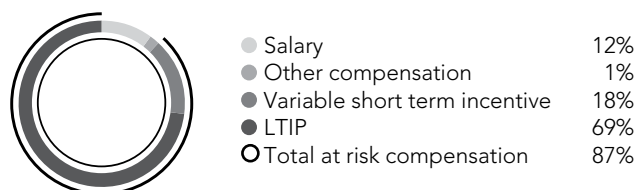
<sup>2</sup> The LTIP is explained further in section 5.2.

<sup>3</sup> The Articles of Association allow for a 40% increase in the aggregate amount of compensation for a new Committee member, i.e. up to USD 25.9 million. The increase for the CRO is 25%.

The increase of USD 4.6 million is purely due to the addition of the CRO to the Executive Committee.

The 2019 proposal is reflected in the chart, where 87% of the maximum total compensation is subject to achievement of performance targets (LTIP and short term variable). The Board of Directors 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.

#### 2019 EXECUTIVE COMMITTEE



## ANNEX – INFORMATION ON THE COMPENSATION PROPOSALS (7.1 & 7.2) continued

### 5. EXPLANATION OF VARIABLE COMPONENTS OF COMPENSATION

#### 5.1. Variable short term incentive

The 2019 variable short term incentive is subject to achievement of targets. We expect to use the following KPIs for the Executive Chairman and Executive Committee:

- Non-IFRS Total Software licensing (weighting of 40%)
- Software as a service (SaaS) Annual Contract Value (weighting of 15%)
- Non-IFRS EPS (weighting of 20%)
- Operating Cash (weighting of 25%)

SaaS has been a focus for the sales teams and regional directors at Temenos for the last few years. SaaS is an important growing sector in the market and we would like to ensure the teams are driven to sell SaaS deals in the same way as on premise license deals. In 2018 we decided to align also the Executives to this strategic initiative through their variable component. We expect this to continue in 2019.

The targets will be based on the 2019 budget to be approved by the Board of Directors. The Board of Directors will set challenging targets consistent with past years; for fiscal years 2013 and 2014, the actual payout for the Executive Chairman, CEO and CFO/COO was 63% and 32% respectively. 2015, 2016 and 2017 have been very successful years for Temenos and the achievement was 104% (payout at 108%), 104% (payout capped at 100%), and 108% (payout at 114%) respectively. This success was reflected in the share price growth and returns for shareholders during those years.

#### 5.2. Long term equity incentive plan

Temenos Long term equity incentive plan is based on SARs (Stock Appreciation Rights). A SAR is an incentive given to employees that aligns their interest with that of shareholders and is equal to the appreciation of the Company's share price over a time period. Similar to employee stock options, SARs are beneficial to the employee when company share prices rise; the difference with SARs is that employees do not pay the exercise price but receive only the amount of shares corresponding to the value of the difference between grant price and share price on exercise. The employee may choose to sell the shares and receive cash or hold the shares. 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 50 are exercised when the share price is USD 100, then the gain is USD 50,000 (equivalent to 500 shares).

When issuing SARs the Compensation Committee reviews the planned dilution to ensure that it remains within our target of between 1% and 2% pa on a CAGR basis. The dilution for the period 2014-2017 on a CAGR basis was 1.6% pa. It should be noted that this dilution included 2 SAR schemes which paid out over target. This compares to an EPS growth of 19.4% pa on a CAGR basis for the same period.

We propose to grant the 2019 SARs award in 2019, the day after the announcement of the results for the financial year 2018. The SARs will be granted at the closing market price of the Temenos share on the day of the grant. The number of SARs will be calculated based on an option value per SAR on that day.

Vesting date of the 2019 SAR award will be the date of approval by the Board of Directors of the financial results for the year ending 31 December 2021 expected to take place in February 2022. We expect that the award will be split into two parts which are independent of each other: 40% on non-IFRS EPS targets and 60% on non-IFRS product revenue targets for the years 2019 to 2021 inclusive.

The award will be the greater of:

- i. Annual targets being achieved, divided equally (33.3%) for achievement in each year of the plan: 2019, 2020 and 2021. 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: 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 2019-2021 non-IFRS EPS and non-IFRS Product Revenue performance targets for the 2019 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 2019-2021 plan will be set when the 3 year plan is approved towards the end of 2018, however, as an indication, the targets for non-IFRS EPS for 2018-2020 are based on a CAGR of 15% for the 3 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 IFRS2 standards. SARs are valued on a fair value basis by an independent organization using the Enhanced American Model which complies with IFRS2. 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.

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](http://www.temenos.com)

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