



**TEMENOS**  
THE BANKING SOFTWARE COMPANY

# Slavery and Human Trafficking Statement 2018

# Temenos AG

At Temenos, we are committed to achieving business excellence and long-term value through superior financial performance while managing our operations in a responsible and sustainable way and conducting our business with integrity, honesty and transparency, ensuring that we comply with applicable laws and regulations, honoring our stakeholders' expectations and returning value to the society and the environment.

In this statement we outline Temenos' policies and procedures related to Fair Labor Standards and Respect for Human Rights throughout our operations and supply chain, while describing our efforts to address modern slavery. We take a strong stance against modern slavery and human trafficking and are committed to working collaboratively with our employees, contractors and suppliers to ensure an open, fair, equal opportunity and honest work environment, in which their fundamental rights and freedoms are respected.

The information in this statement has been approved by the Board of Directors of Temenos AG, is in line with the requirements of the UK Modern Slavery Act 2015 and relates to the financial year ended December 31, 2018. The scope of markets included in this statement covers our operations worldwide, including those of our directly or indirectly wholly owned subsidiaries, while excluding Avoka that was acquired by Temenos in mid December 2018.

## Our Business Structure

Founded in 1993, Temenos AG is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud native, cloud agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence. Temenos clients are proven to be more profitable than their peers: over a seven-year period, they enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost/income ratio than banks running legacy applications.

Headquartered in Geneva, Switzerland, the Company currently has 64 offices in 40 countries and had non-IFRS revenues of USD 840 million for the year ended 31 December 2018. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001. Temenos employs 5,744 people worldwide, including full-time employees and contractors. In mid December 2018, Temenos acquired Avoka, a US-based leader in digital customer acquisition and onboarding.

## Our Supply Chain

As a global IT company, our business focuses on providing IT solutions and services, relying on the sourcing of finished products, services and consultants for the delivery of our projects. Our supply chain includes a supplier base of around 3,000 suppliers globally and is tiered based on the nature of the supply and criticality for Temenos business. The estimated monetary value of payments made to suppliers in 2018 was around USD 195 million.

The suppliers that are critical for our business are defined as follows:

- Supplier that provides goods and/or services which are supplied to our clients
- Supplier which has access to and/or processes our employee or company data
- Supplier that connects to our company systems or requires access to Temenos intellectual property or confidential information
- Supplier that provides technical or IT services and/or software products which involve intellectual property licensing.

Responsible and sustainable sourcing is a material issue for Temenos. We build and maintain relationships with both small local suppliers as well as large international suppliers who adhere to our business principles, while encouraging our suppliers to develop their own responsible practices. Temenos has adopted a risk-based approach to identify high-risk suppliers, identifying the areas where sustainability challenges are most likely to occur and working with its suppliers towards continual improvement.

# Temenos Policies and Procedures

## Temenos Business Code of Conduct

The Temenos Business Code of Conduct is the foundation of our commitment to ethical business practices and legal compliance. The Code defines standards for business conduct everywhere we operate and provides guidance in addressing the business, legal and ethical issues encountered while performing daily work or making decisions on behalf of Temenos. In addition to compliance with all relevant laws, regulations and standards, employees shall comply with the Code even if it stipulates a higher standard than required by national laws or regulations. The Code applies equally to full-time, part-time or temporary employees globally. All employees are required to acknowledge the Code when joining the Company. Temenos requires partners and suppliers to gradually comply with the Code and related policies and to verify compliance by providing respective information when requested.

In 2018, we based our CSR reporting on the Global Reporting Initiatives' Sustainability Reporting Standards. We also endorsed the United Nations Global Compact, having committed to filing an annual Communication on Progress implementing the UNGC's 10 principles. We supported the UN Sustainable Development Goals and publicly report ways in which our operation as well as community investment are contributing to the global effort to achieve the SDGs. We aligned our Code with the ten principles of the United

Nations Global Compact on the four issue areas of Human Rights, Labour, Environment and Anti-Corruption, as well as the OECD Guidelines for Multinational Enterprises. In the Code, we communicate our commitment to respect and support the values of the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work by integrating human rights considerations into our business operations. We respect government policies in the countries where we operate, while seeking ways to honour these global principles.

Temenos is committed to creating an open, fair, equal opportunity and honest work environment where all employees are treated with respect and courtesy in an inclusive, productive and safe work environment. The work environment at Temenos is free of any type of harassment based on race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability or any other personal traits or characteristics that are not work-related. We condemn forced or compulsory labour practices. We comply with local minimum age laws and requirements and do not employ children. We ensure this through our global and local HR and recruitment policies. Any behaviour contrary to this principle will not be tolerated whether it is coming from an employee, client, partner, or supplier.

## Corporate Policies

The backbone of our Code are the corporate policies linked to it that provide detailed guidance on how to exercise good judgement when recruiting, working and making decisions for Temenos. Temenos is a global company and our business is subject to the laws of many different countries. In order to conduct our business on a daily basis, we interact with a variety of stakeholders. We are committed to interacting with all of these stakeholders in a respectful, ethical manner and in compliance with all the local and international laws of the countries we operate in. The policies are reviewed annually and reflect our continued commitment to ethical business practices and legal compliance.

## CSR and Ethics Governance

We have integrated responsibility into our organisational structure and corporate governance, by having established the CSR and Ethics Committee at the senior management level. The purpose of the Committee is to oversee management's efforts to foster a culture of sustainability, responsibility and ethics within the company. The members of the Committee were selected in such a way, so as to provide a broad connection across the Company functions. The Committee regularly reports on CSR and ethics matters to the Board of Directors, at least twice a year.

## Grievance Mechanism

It is our responsibility to communicate with our employees and build controls to prevent and detect unethical and non-compliant conduct; when we identify or learn of concerns or improper conduct, to investigate them fully and take appropriate action to remediate. Anonymous reporting, an internal communication/ grievance mechanism is in place to record verbally, in print or electronically any related concerns or violations of the Code, including human rights issues. Temenos and its management are committed to promoting and maintaining highest ethical standards in all our work, and ensuring that where problems are identified they are resolved quickly. Preventing retaliation is critical for Temenos. We maintain and communicate an open-door policy and strictly prohibit retaliation against complainants who raise a compliance concern in good faith.

## Supply Chain

Temenos suppliers are expected to adhere to the high standards of ethical behavior and regulatory compliance and comply with all applicable statutory and other regulatory requirements, as well as the Temenos Business Code of Conduct and the Supplier Code of Conduct. A copy of our Supplier Code of Conduct is shared with our suppliers and they are expected to adhere to the Code requirements. They are also encouraged to communicate any concerns they might have related to a possible breach of the Temenos Business Code of Conduct through the Anonymous Reporting mechanism, while the company reserves the right to audit. In addition, Temenos complies with all applicable export control laws and sanctions worldwide when conducting business around the world. All Temenos employees, contractors, distributors and partners are expected and required to comply with the Export Controls and Sanctions Policy.



# Due Diligence, Assessment and Management of the Risks

We have integrated responsibility 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. We respect and support the values of the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work by integrating human rights considerations into our business operations. We respect government policies in the countries where we operate, while seeking ways to honour these global principles. We conduct regular audits to check internal compliance with these standards. In this way, we have been better prepared to anticipate global business, social and environmental challenges and actively manage the risks and opportunities associated with them.

Risk management is an integral part of the business process. Regular risk assessment is performed and key risks are reviewed by the Audit Committee. Internal audits are risk-based and aligned with risk management processes. Internal Audit plans are approved by the Audit Committee. At Temenos, we have incorporated human rights considerations into our procurement practices and constantly improve our responsible procurement by obtaining their understanding and adherence to our Policies, thus building strong partnerships with them. We work with a systematic, risk-based approach, while also having introduced effective audit mechanisms for identified cases of high-risk suppliers, as well as grievance mechanisms for both employees and suppliers on procurement issues.

In 2018, the procurement lifecycle in Temenos has become an end-to-end Source to Pay (S2P) process that includes the sub-processes of Sourcing, Purchase and Payment. We have successfully transitioned to a centralized procurement model by having a Global Procurement Team that oversees the sourcing process and drives the purchase activities at Company level. The Team has a structured and transparent approach, emphasizing on supply market analysis and negotiations' expertise.

In addition, the Team exercises responsible procurement practices between Temenos and its suppliers by conducting Supplier Performance and Risk Assessment activities. The Supplier Performance and Risk Assessment activities are part of our centralized governance model for Supplier Relationship Management that allows us to get to know our suppliers and to build strong and trusting partnerships with them. Temenos uses a Supplier Questionnaire that covers areas such as business and ethical conduct, environment, human rights, impact on society, client privacy and information security as well as financial and legal compliance requirements. The Supplier Questionnaire is also aligned with the 10 principles of the UN Global Compact and the EU General Data Protection Regulation 2016/679 and is used both during the supplier qualification process and the annual Supplier Performance and Risk Assessment activities.

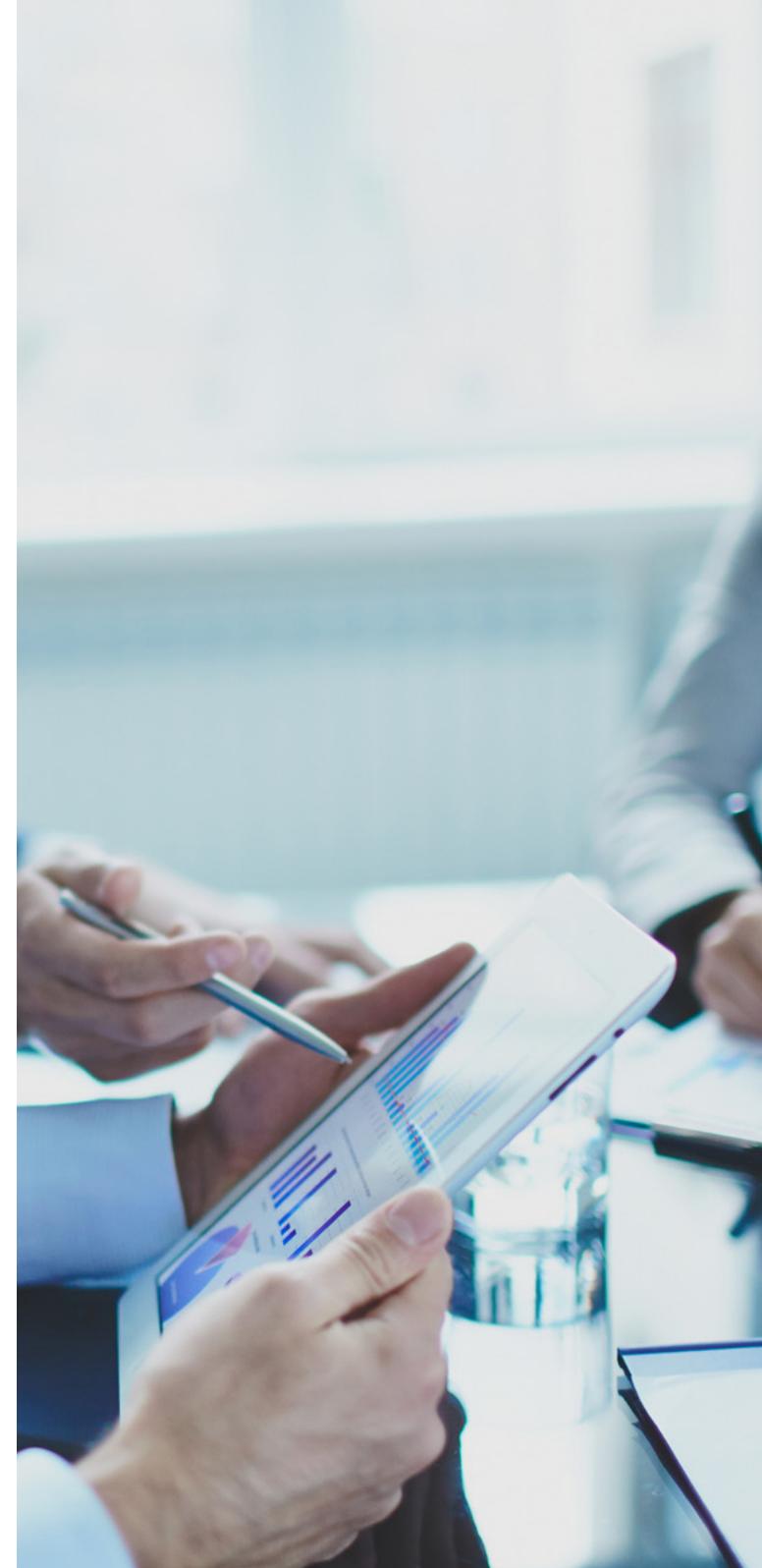
In 2018, we implemented Supplier Performance and Risk Assessment to approximately 200 of our top suppliers and assigned a performance and risk score to 84% of the suppliers, while not proceeding with contract renewals for 17% of the suppliers.

As part of Temenos' continued commitment to enhancing our internal compliance programs we extended the sanctions screening program to our suppliers residing in specific sanctioned countries and incorporated that as a new part in the Temenos export controls and sanctions policy.

In 2018, we also developed a procurement category management framework with defined category plans in order to understand our spend categories better and help us perform our sourcing in ways that go beyond one-time events. As a first step in our procurement category management framework, we set up an electronic Procurement Database containing supplier relevant documentation and contracts.

Temenos has a Supplier Code of Conduct which is linked to our company's Business Code of Conduct. The Supplier Code of Conduct lists the requirements for our Suppliers on how to adhere to our business principles, while encouraging them to develop their own responsible practices. On the Temenos website our Suppliers can find all necessary resources to do business with Temenos (i.e. Purchase terms and conditions, Supplier code of Conduct, invoicing guidelines, grievance mechanism).

Temenos suppliers are also encouraged to communicate any concerns they might have related to a possible breach of the Temenos Business Code of Conduct through the Anonymous Reporting mechanism. Employees work only with company approved suppliers and Partners, avoid all forms of one-sided preferential treatment of a supplier and have the Anonymous Reporting mechanism to report any concerns they might have related to a possible breach of the Company-supplier/Partner business relationship.



# Measuring the Effectiveness of Our Approach

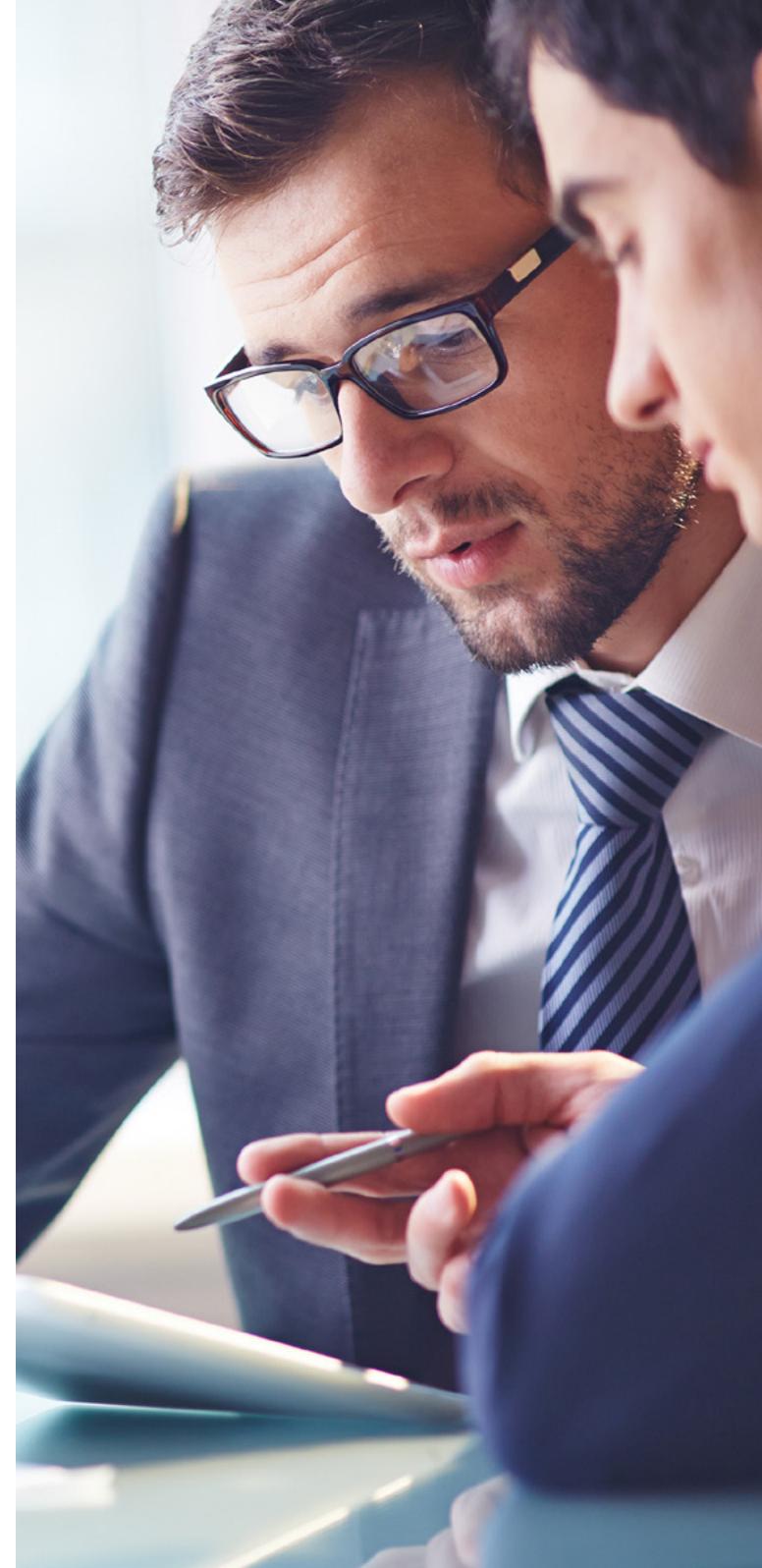
Temenos measures the effectiveness of the steps taken to ensure that modern slavery is not taking place in our operation with the use of the following KPIs:

- Number of reported concerns through Anonymous reporting, the internal communication/ grievance mechanism
- Monitoring of global and local HR procedures related to recruitment and compensation
- Percentage of compliance with the Business Code of Conduct e-training
- Scheduled and/or ad hoc checks and audits across the organization

The Internal Audit team at Temenos provides an independent assurance on effectiveness of risk management and internal controls, assesses compliance with policies and procedures and provides assurance to Management and the Board of Directors. Findings from Internal Audit reviews and self-assessments, together with related action plans, are reported in detail to Management. Summary reports are provided to the Audit Committee on a regular basis. Implementation of action plans is monitored on a monthly basis and status is reported to the Audit Committee.

The Global Procurement team in charge of the centralised governance model for active supplier management measures the performance and effectiveness of our new Global Procurement policy and processes with the use of the following KPIs, so as to ensure that slavery and human trafficking is not taking place in our supply chain:

- Percentage of new suppliers that were screened using human rights criteria.
- Number of suppliers subject to human rights impact assessments.
- Number of suppliers identified as having significant actual and potential negative human rights impacts.
- Significant actual and potential negative human rights impacts identified in the supply chain.
- Percentage of suppliers identified as having significant actual and potential negative human rights impacts with which improvements were agreed upon as a result of assessment.
- Percentage of suppliers identified as having significant actual and potential negative human rights impacts with which relationships were terminated as a result of assessment, and why.



## | Training

At Temenos, we constantly seek opportunities to raise awareness among employees, contractors and suppliers on all aspects of responsible business, including human rights. Training about slavery, human trafficking and human rights as a whole is part of the compulsory Temenos Business Code of Conduct e-training that all employees and contractors have to take when joining Temenos and to repeat annually during their employment with Temenos.

The increased focus and communication of the Code by our senior management and HR in 2018 had a positive impact on our Ethical Business Conduct compliance, reaching 99.6% across Temenos globally.

Temenos buyers and frequent requestors are trained for understanding and adherence to our procurement processes' approach to identify high-risk suppliers, detecting the areas where sustainability challenges are most likely to occur.

More information available on the corporate website and the 2018 Annual Report (CSR report) on [www.temenos.com](http://www.temenos.com)

## | Looking Ahead

For over 25 years we have been operating at a 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 expect from every single person working for and with Temenos to act equally responsibly and with integrity at all times and in all circumstances and ultimately live up to the Temenos standards. As a global corporation, we understand the responsibility that comes with that role and we are committed to working with our employees, contractors and suppliers to build sustainable business relationships, based on Fair Labor Standards and Respect for Human Rights. Preventing modern slavery requires collaboration, persistence, ongoing due diligence and continuous improvement.

**Signed on behalf of the  
Board of Directors by:**

March 30, 2019



**Max Chuard**

Chief Executive Officer  
Temenos AG

