



TEMENOS

THE BANKING SOFTWARE COMPANY

INVITATION TO THE
20TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS
OF TEMENOS AG
("the Company")

to be held without audience on Thursday 20 May 2021 at 11.30 a.m. at
Temenos offices, 2 rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland

Temenos AG

Invitation to the 2021
Annual General Meeting

Chairman's Letter

Dear Shareholders,

It is an honor to invite you to the 20th annual shareholders' meeting of Temenos. Before addressing matters for consideration at this upcoming shareholders' meeting, I would first like to review performance and the industry trends in 2020.

Historic Total Shareholder Return

Below is the historic Total Shareholder Return compared to key indices and to the average of our peer group:

Total Shareholder Return (%) to 31.12.2020	3 years	5 years	5 year average	Since IPO
Temenos AG	11%	175%	35%	1,047%
Swiss Market Index	39%	61%	12%	404%
Stoxx Euro 600 Index	15%	46%	9%	233%
NASDAQ	93%	173%	35%	672%
Average of peer group	72%	158%	32%	1,264%

Thoughts on our performance in 2020

With the global pandemic still raging around the world, we are looking back at 2020 with a degree of sadness for those that suffered directly from the pandemic, those who lost loved ones and for their families. The economic consequences are still to be fully understood, with the social and psychological impact on humanity even less discussed or addressed.

At a business level and, given the level of disruption, one has to feel a sense of pride for the way Temenos and Temenosians in particular rose to the challenges posed by the pandemic. Within a few days of the pandemic accelerating last March, Temenos was able to move to a work from home model around the world. We were able to seamlessly support our clients, over 3,000 banks around the world, from our kitchen tables, homes offices and bedrooms. As borders closed, we were able to continue implementing our products remotely and deliver successful go lives throughout 2020, as if it was business as usual. We were able to continue building our products without disruption or loss of productivity and we were able to continue offering our solutions to new and existing clients alike in a remarkable shift in the way we have operated for decades. Within a few weeks we were able to articulate propositions to our clients to help them be part of the solution to Covid-19 rather than part of the problem, whether it was in distributing Covid-19 relief funds or offering other support to their customers.

Temenosians rose to the challenge by participating in a solidarity effort, foregoing part of their salaries and other benefits for most of 2020 to ensure we have the maximum opportunity to deliver as seamless a support to our clients as possible. Management agreed to take voluntary pay reductions of up to 50% of their base compensation to achieve the same objective.

And finally, we were able to weather the brutal impact of the pandemic on new business during the first six months of the year as banks diverted their attention to immediate and very pressing business continuity issues, and finish the year strongly with a return back to a new normal.

Covid-19 has accelerated trends that existed prior to the pandemic including the digitization of banking, the use of AI in banking, the turn to Software-as-a-Service (SaaS) – these are all trends that pre-existed Covid-19. Covid-19 has caused a significant acceleration of these trends and as we are coming out of the pandemic, the opportunity for Temenos is fully intact. Banks are faced with the imperatives to make their operations more efficient, provide returns that are higher than their cost of capital (which is not the case with up to 70% of the world's banks today), digitally service an ever more demanding and tech savvy client base as well as satisfy regulators on security, compliance and business continuity.

We therefore take courage that our role in shaping the world of banking software and, by extension, banking itself for the 21st century will continue to grow.

The total market for our products continues to grow at high single digits with growth coming from all aspects of the business, digital as well as core, wealth, the funds and the payments business. Cloud and SaaS is gaining significant traction in financial services in both mature and emerging markets as banks appreciate the efficiencies that can be achieved through cloud deployment and regulators are convinced about the security and availability of cloud networks. Temenos has been a leader in offering our products on the cloud with our first deployments taking place as early as 2011, giving us the credibility to lead the market in this respect. We are very excited by the spectacular growth we see in this segment. Let me just say that in five years of growth in our cloud and SaaS business we have achieved an equivalent size business that took us 19 years to grow under the traditional on-premise model.

Implementation and adoption of on-premise software is expected to also continue to grow based on the low penetration of third-party software within banks.

Temenos is in an excellent position to service both models. We build and support a single product, a single code set that we run for our SaaS clients and which our on-premise clients run for themselves either using traditional technology stacks or cloud deployments. This unparalleled architectural advantage is what propels us to create a sustainable, profitable and growing proposition for the years to come. Our size gives us the opportunity to be able to afford the investments required to be successful in a fast changing and demanding market while our state of the art modern technology with more than 27 years of business capability built in our model banks are the cornerstones of our winning market presence and continuing market share gains.

Temenos has navigated successfully different crises in our 27-year history. Whether this was the 2001 dot-com market collapse, the 2008 financial crisis or the 2011-2013 Euro crisis. Our culture, unrelenting focus on what counts, our long-term investment mind-set has meant that we always come out of each crisis stronger than before. This is the case with Covid-19. Our products are well invested, our people fully focused with a unique set of values and a sense of purpose which has propelled us to success all these years. I often talk about these in my addresses to shareholders and I will do so today, because in Temenos we passionately believe that this is a key differentiator.

Chairman's Letter continued

Values and sense of purpose

More so than before Covid-19, business models are changing globally while at the same time our roles as business leaders have been transforming. With digital technology minimizing the distance between businesses and their stakeholders and new generations questioning the 'traditional' ways, businesses must revisit their purpose, rethink how they deliver value to their stakeholders, shifting from mass production to personalization, and — more than ever — operate with responsibility, integrity, transparency and the highest ethical standards.

Covid-19 has in many ways acted to strengthen our relationships with our stakeholders. We have navigated the pandemic together, whether it was within Temenos amongst us Temenosians or with our clients and partners. Out of adversity, came solidarity and a common sense of purpose which we carry together in the new normal. Maintaining the trust of our stakeholders and remaining accountable to them is critical to us especially at difficult times.

It took us more than 27 years to build Temenos as we know it today and we have done so with a strong sense of purpose, guided by our Temenos culture and values. We believe that this is our true competitive advantage. We call this Temenosity and we celebrate Temenosity as the cornerstone of our success. Our business is about building trust and strong relationships with all our stakeholders, our clients, our Partners, our shareholders and between us Temenosians. Responsibility is in our culture. Our passion for innovation and for seeing things differently will ensure that we continue to develop winning products for our clients. Our determination, energy, enthusiasm, resolve, integrity, commitment, people focus and never-give-up attitude will ensure we remain the leading banking software company and overcome any challenges that may lie ahead of us, like we have done in the past.

The 20th Ordinary General Meeting of Shareholders

Please refer to the enclosed agenda for the items to be voted on. As always, the Compensation Report included in the 2020 Annual Report provides details of our approach to compensation and the targets and controls we have put in place. Our compensation structure is heavily linked to performance to align us with the long-term objectives and priorities of our shareholders.

We will seek the election of James (Jim) Benson to the Board of Directors as a Non-Executive and Independent Director. Mr. Benson has significant experience enabling public software technology companies to grow and scale their businesses worldwide. He also has deep expertise in the North American market. His career reflects a passion and demonstrated track record of excellence in finance, leading successful large-scale transformation initiatives, optimizing financial and operational management processes in diverse, complex, global business environments, and executing M&A transitions across the deal lifecycle in domestic and global markets. He brings extensive financial expertise, capital markets, corporate governance and risk management experience as a public company Chief Financial Officer. All of this will be of great benefit to Temenos management and the Board of Directors, including our Audit Committee.

We have proposed a dividend of CHF 0.90 per share for 2020, an increase of 6% on the previous year. I hope as many of you as possible will vote at this year's AGM and thank you for your confidence and support.

Andreas Andreades

Executive Chairman

Agenda and Proposals of the Board of Directors

1. 2020 Annual Report including the compensation report, the 2020 unconsolidated financial statements and the 2020 consolidated financial statements

Proposal

The Board of Directors proposes that the 2020 Annual Report including the compensation report, the 2020 unconsolidated financial statements stating a profit for the year of CHF 4,928,382 and the 2020 consolidated financial statements stating a profit for the year of USD 175,020,104 be approved.

2. Allocation of the available earnings and distribution of dividend

Proposal

The Board of Directors proposes to allocate the available earnings as follows:

Retained earnings brought forward	CHF 531,063,847
2020 net income	CHF 4,928,382
Retained earnings available to the General Meeting	CHF 535,992,229
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Allocation to general legal reserve	CHF (246,419)
Dissolution of reserve for treasury shares	CHF 28,880,000
Dividend to be distributed to shareholders	CHF (43,400,278)
Retained earnings to be carried forward	CHF 521,225,532

Based on the audited financial statements for the financial year 2020, the Board of Directors proposes to distribute an ordinary dividend in cash amounting to CHF 0.90 per share, for an estimated total amount of CHF 65,000,000 (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 approximately one third out of the general reserve from capital contributions as described below (not subject to Swiss withholding tax) and the balance out of the retained earnings as described above (subject to 35% Swiss withholding tax).

As a result, the general reserve from capital contributions at 31 December 2020, amounting to CHF 21,599,722 will be reduced as follows:

General reserve from capital contributions (at the disposal of the General Meeting)	CHF 21,599,722
Distribution of general reserve from capital contributions	CHF (21,599,722)
General reserve from capital contributions to be carried forward	CHF 0

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 25 May 2021 (Ex-date). The dividend record date will be set on 26 May 2021 (Record date) and the dividend will be payable as of 27 May 2021 (Payment date).

Temenos treasury shares are not entitled to dividend.

3. 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 2020.

4. Authorized 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 authorizing the Board of Directors to create authorized capital until 20 May 2023. The proposed amount represents less than 10% 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 authorized to increase the share capital no later than 20 May 2023, by an amount not exceeding CHF 35,500,000 by issuing up to 7,100,000 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

5. Compensation of the members of the Board of Directors and of the Executive Committee for the year 2022

5.1. Compensation of the members of the Board of Directors for the year 2022 (1 January to 31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 8.2 million as fixed and variable compensation of the members of the Board of Directors for the financial year 2022.

Explanation

Please refer to the Annex for more details.

5.2. Compensation of the members of the Executive Committee for the year 2022 (1 January to 31 December)

Proposal

The Board of Directors proposes to approve a maximum aggregate amount of USD 40 million as fixed and variable compensation of the members of the Executive Committee for the financial year 2022.

Explanation

The increase from USD 28.4 million as approved at the 2020 annual General Meeting of Shareholders to USD 40 million is due to the strengthening of the Executive Committee through the addition of selected existing functions, resulting in an increase in the number of members from 6 to 11. The roles have been added to the Executive Committee to encourage collaboration, closer teamwork and bring additional expertise to the team particularly with regard to strategic partnerships and compliance. The cost is NOT incremental for Temenos and the average cost per member has decreased by approximately 25%.

Please refer to the Annex for more details.

Agenda and Proposals of the Board of Directors continued

6. Elections of the members of the Board of Directors

6.1. Election of a new member

Proposal

The Board of Directors proposes the election of **Mr. James Benson** as member of the Board of Directors (Independent and Non-Executive), for a term of office until completion of the next ordinary annual General Meeting of Shareholders.

Mr. James Benson

American, born in 1966, Mr. James (Jim) Benson is a global finance executive with significant experience enabling public technology companies to grow and scale their businesses worldwide. He also brings extensive financial expertise, capital markets, corporate governance and risk management experience as a public company Chief Financial Officer. He also has extensive experience with the strategic and operational challenges of leading a global company. Mr. Benson most recently served as Executive Vice President and CFO of Akamai Technologies (NASDAQ: AKAM) from 2012 until his retirement in 2020. In his CFO role, he was the catalyst in building out and transforming Akamai's accounting and finance teams from a "back-office" function and into a "value-enhancing" forward-thinking strategic business partner. He was instrumental in navigating Akamai's growth, revenue diversification and business operations expansion/scaling into one of the world's largest and most profitable cloud services and cyber security leaders with revenues of USD 3 billion and a market capitalization of USD 14 billion. Prior to joining Akamai, he spent 20 years at Hewlett Packard in a variety of senior finance leadership roles, including VP and CFO for HP's Americas Technology Solutions Group, a USD 14 billion P&L entity encompassing the enterprise server, storage, software and services businesses. Mr. Benson also serves on the Board of Directors of Grange Insurance, a Property and Liability insurance company, based in Columbus, Ohio. Mr. Benson holds an MBA from Clark University and a BS Finance from Bentley College.

6.2. Re-elections

Proposal

The Board of Directors proposes the re-election of **Mr. Andreas Andreades** as member and Chairman of the Board of Directors as well as the reelections of **Mr. Thibault de Tersant**, **Mr. Ian Cookson**, **Mr. Erik Hansen**, **Dr. Peter Spenser**, **Dr. Homaira Akbari** and **Mr. Maurizio Carli** as members of the Board of Directors, each for a term of office until completion of the next ordinary annual General Meeting of Shareholders.

6.2.1. **Mr. Andreas Andreades, member and Executive Chairman of the Board of Directors**

Cypriot, born in 1965. After early careers with KPMG in London and Pepsico, 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 7,500 and to more than 3,000 clients generating approximately USD 900 million in annual revenues and achieving a market capitalization of circa USD 9 billion (as at 31 December 2020), establishing it as the global leader in banking software. Since 2003 the market capitalization of Temenos has grown by 246 times or a compound average of 36% per annum. 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 the Temenos Nomination Committee.

6.2.2. **Mr. Thibault de Tersant, member of the Board of Directors**

French, born in 1957, Mr. Thibault de Tersant was a member of the Board of Dassault Systèmes from 1993 until July 2020 and he was CFO from 1988 until 2018. He has been also executive vice-president since 1988 and Senior EVP since 2006. He was named Senior executive vice-president and General Secretary in January 2018. During his tenure in Dassault Systèmes, Mr. de Tersant, who, as CFO, managed 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 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, in his capacity of General Secretary is responsible for new business models definition, pricing, corporate structure and governance, compliance, internal audit and various business assignments. He is also co-chair of the Dassault Systèmes sustainability committee and Chairman of the Dassault Systèmes Foundation. He has more than 30 years of experience in the software industry. Mr. de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.

Mr. de Tersant is the Chair of the Temenos Audit Committee.

6.2.3. **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 40 years and has built one of the most efficient IT operations in Private Banking worldwide. Mr. Cookson was Chief Operating Officer of EFG International and member of the Executive Committee until September 2007. 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 Chair of the Temenos Nomination Committee and a member of the Temenos Audit and Compensation Committees.

6.2.4. 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 has previously been Chairman of Myriad Group AG (2012-2018) and has served as 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), Siemens Pyramid Technology Inc. (1997-2000) 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 the Temenos Nomination Committee.

6.2.5. Dr. Peter Spenser, member of the Board of Directors

British and American, born in 1954, Dr. Peter Spenser has over 40 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 and 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). Dr. Spenser holds a BA and MA in Theoretical Physics from Cambridge University and a Ph.D. in Astrophysics from University College London.

Dr. Spenser is a member of the Temenos Audit and Compensation Committees.

6.2.6. Dr. Homaira Akbari, member of the Board of Directors

American and French, born in 1961, Dr. Homaira Akbari is President and CEO of AKnowledge Partners, LLC, a global strategy advisory firm providing services to leading private equity funds and large corporations in the sectors of Internet of Things, Cyber Security, Artificial Intelligence and Enterprise Software. She currently serves on the Board of Directors of Banco Santander S.A. (NYSE: SAN), Santander Consumer USA (NYSE: SC, a 80% subsidiary of Banco Santander S.A.) and Landstar System, Inc. (NASDAQ: LSTR), where she has been a member of Compensation Committee since 2013. Dr. Akbari has held senior management roles in Fortune 1000 companies including Microsoft, Thales and Liberty Media subsidiary, Trueposition. From 2007 to 2012, she served as the President and CEO of SkyBitz, Inc., a leading provider of remote asset tracking and security solutions, winning the "Global Impact Award" as part of the Women in Technology (WIT) 2012 Awards. Under her leadership, the company had record performance. She successfully sold SkyBitz to Telular Corporation (NASDAQ: WRLS). She has extensive public company governance experience having previously served on the boards of Directors of Veolia Environment (EN: VIE USD 13+ billion revenues, a CAC40 company) from 2015 to 2019, Gemalto N.V. (EN: GTO) from 2013 to 2019 and Covisint Corporation (NASDAQ: COVS) from 2014 to 2016. Dr. Akbari has been active in and a contributor to many non-profit organizations. She is currently a member of Business Board of Advisors for Carnegie Mellon University Tepper School of Business. She was the inaugural Chair of the Johns Hopkins University Physics and Astronomy Advisory Council from 2012-2018. She has established Homaira Akbari Fellowship Endowment at Carnegie Mellon University and Akbari-Mack Postdoctoral at the Johns Hopkins University. She is a member of Board of Trustees of FIAF.org, a not-for-profit organization with the mission to promote French culture, art and language. Dr. Akbari holds a Ph.D. in particle physics from Tufts University and an MBA from Carnegie Mellon Tepper School of Business. She is the author of numerous scientific and business articles in international journals, has two patents in IoT/M2M and is a frequent speaker in industry conferences.

Dr. Akbari is the Chair of the Temenos Compensation Committee.

6.2.7. Mr. Maurizio Carli, member of the Board of Directors

Italian, born in 1958, Mr. Maurizio Carli served as strategy advisor to VMware until July 2020, a position he has held since stepping down as Executive Vice President, Worldwide Sales and Services for VMware early in 2020. Prior to this global role, he served as Corporate Senior Vice President and General Manager for two of VMware's three sales regions between 2008 and 2015. He was Senior Vice President and General Manager, EMEA at Business Objects prior to joining VMware. In his early career, he served in a number of leadership positions in sales, marketing, and global strategy at IBM between 1984 and 2002. Mr. Carli currently serves as an independent Chairman for Board International and as an independent board member for Blueprism and Telecom Italia. He previously served as an independent board member for Telecty Group from 2011 to 2016 and as a board member of the newly-launched European Software Association from 2005 to 2006. Mr. Carli holds a Bachelor of Science in Electronic Engineering from Politecnico di Milano, Italy, where he graduated with honors.

Mr. Carli is a member of the Temenos Nomination and Compensation Committees.

Agenda and Proposals of the Board of Directors continued

7. Elections of the members of the Compensation Committee

Proposal

The Board of Directors proposes the re-elections of **Dr. Homaira Akbari**, **Dr. Peter Spenser** and **Mr. Maurizio Carli** as well as the election of **Mr. James Benson** as members of the Compensation Committee, each for a term of office until completion of the next ordinary annual General Meeting of Shareholders.

7.1. **Dr. Homaira Akbari**

7.2. **Dr. Peter Spenser**

7.3. **Mr. Maurizio Carli**

7.4. **Mr. James Benson**

8. 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.

9. Election of the auditors

Proposal

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

Documentation

The 2020 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>

Votes

Shareholders recorded in the share register with voting rights as of **7 May 2021 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.

Representation

According to article 8 of the Federal Act on the Statutory Principles for Federal Council Ordinances on Combating the Covid-19 Epidemic dated 25 September 2020 and article 27 of the Ordinance 3 on Measures to Combat the Coronavirus dated 19 June 2020, it has been decided to hold this General Meeting without attendance of the shareholders. They can however be represented by the independent proxy holder: **Perréard de Boccard S.A.** The voting instructions to the independent proxy holder can be given either by return of the proxy form or electronically using the password and as per the instructions indicated in the invitations to be sent to the shareholders. Voting instructions shall be received by **18 May 2021 at 5 p.m. CET** at the latest.

On behalf of the Board of Directors

Andreas Andreades

Executive Chairman

26 April 2021

ANNEX – Information on the Compensation proposals (5.1 & 5.2)

Dear Shareholders,

Temenos' vision is to provide financial institutions, of any size, any sector and anywhere in the world, the software to thrive in the digital banking age. Our objective is **Making Banking Better, Together**. We make banking possible for 1.2 billion people worldwide – 30% of the world's banked population!

Our compensation scheme is built to motivate the executive team to deliver our vision through strong short and long-term achievement. The outcomes from our executive compensation structure are strongly aligned to shareholder interests as over 85% of executive pay package is based on delivery of financial targets. The LTI SAR plan, which is the largest part of the executive compensation, delivers value to the Executives only if they meet challenging corporate performance targets and increase the share price.

Feedback from our shareholders is important for us, and we continue our annual engagement program on compensation. This year in particular, we held extensive shareholder feedback sessions focusing on the following points:

- New KPIs for the LTI plans going forward to align with Temenos SaaS acceleration (see section 5.2 further discussion on this point)
- Align the KPIs for future years 2021 and 2022 in the 2019 and 2020 LTI plans to the new KPI consistent with the go forward LTI plans. There is no change to KPIs for the completed years of performance. Additionally, there is no change to the grant price, nor any other terms of the grant
- Non-Executive Directors' compensation
- Expansion of the Executive Committee

The feedback received was very helpful and generally positive on the points discussed.

The compensation proposals for 2022 for which we request your approval are as follows:

- Board of Directors: USD 8.2 million for 8 members (2021: USD 7.8 million for 7 members). The current Non-Executive Directors' fees are approximately 40% below the average of the other SMIM companies and significantly less compared to US software companies. As a result, we are requesting an increase to bring Non-Executive Directors in line with the SMIM.
- Executive Committee: USD 40 million for 11 members (2021: USD 28.4 million for 6 members) – no increase is requested for existing roles. The added Executive Committee roles are not new roles in Temenos and do NOT represent an incremental cost for Temenos. A flatter structure has been created to provide a more dynamic and inclusive working environment. The average cost per Executive Committee member is 25% lower compared to previous years.

We continue to proactively seek views in advance of any changes we are considering to our compensation structure. The Compensation Committee remains committed to this dialogue with shareholders, and we welcome regular feedback on our compensation policies.

We look forward to receiving your support at the AGM on 20 May 2021.

Homaira Akbari

Chairperson of the Compensation Committee

ANNEX – Information on the Compensation proposals (5.1 & 5.2) continued

1. Introduction

Full details of 2020 compensation are provided on pages 122-143 of the 2020 Annual Report (Compensation Report). The 2020 Annual Report is available electronically under: <https://www.temenos.com/en/about-temenos/investor-relations/reports>

This annex intends to explain the Compensation request as per motion 5.1 and 5.2. The Compensation Policy and Principles are explained in the Compensation Report in section A. The compensation components are explained in the Compensation Report in section B.

2. Background to Compensation Vote

2.1 Voting methodology selected

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 2022.

2.2 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 LTI 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 2022 are the closing rates of 31 December 2020:

USD/CHF : 0.889
USD/GBP : 0.7442
USD/AED : 3.6725
USD/SGD : 1.3327

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

3. Compensation for Members of the Board of Directors for the year 2022

VOTE 5.1: *The Board of Directors proposes to approve a maximum aggregate amount of USD 8.2 million (CHF 7.3 million) as fixed and variable compensation of the members of the Board of Directors for the financial year 2022.*

The Board of Directors proposal for 2022 compensation comprises the below:

the Executive Chairman, subject to re-election at the AGM 2021:

- Andreas Andreades

the Non-Executive Directors, subject to re-election at the AGM 2021:

- Thibault de Tersant, Vice-Chairman
- Homaira Akbari
- Maurizio Carli
- Ian Cookson
- Erik Hansen
- Peter Spenser

and the following proposed Non-Executive Director, subject to election at the AGM 2021:

- James Benson

The maximum amount of compensation for which we request approval for the members of the Board of Directors including the Executive Chairman is USD 8.2 million. The compensation request for both 2021 and 2022 includes the maximum payout for the STI of 150% possible under Executive Chairman's compensation scheme.

At the 2020 AGM we already mentioned the need to realign the non-executive compensation due to the low compensation compared to other SMIM companies and even more significantly to the US and to our compensation peer group. Due to the Covid-19 crisis, the request for an increase was deferred to 2021 AGM. We now request approval for an increase effective for 2022 to align closer to the benchmark of the SMIM. The increase we are requesting is described in the table below.

Fee type	2021 USD 000	Proposed 2022 USD 000
Board fees	108	140
Additional fee for directors travelling long-haul	–	10
Fee for Chair of Audit Committee	42	55
Fee for Chair of Compensation Committee	42	45
Fee for Chair of Nomination Committee	–	35

In 2019, we performed an extensive compensation benchmarking against SMIM companies for independent and non-executive board members for the compensation received in 2018. Compared to the SMIM which in 2018 had an average Board retainer of CHF 163,000, a Temenos Board member with no Chair position receives USD 108,000, which is approximately 40% lower. The increase proposed with regard to the Board retainer would reduce the difference between a pay attributable to a European director with no Chair position and the SMIM average from approximately 40% to approximately 20%. Further, Temenos wishes to continue to compensate the additional work required from the Chairs of the Committees, which are not paid by all companies in the SMIM. Including these function-related fees and additional compensation for long-haul travel brings us closer to the SMIM benchmark on average.

3. Compensation for Members of the Board of Directors for the year 2022 continued

The impact of this increase of Board fees on 2022 is shown below, other differences compared to 2021 request are linked to exchange rates fluctuations. All figures are shown in USD thousands.

Year	Fixed fee/ salary	Variable short term incentive (Executive Chairman only) ¹	All other compensation (Executive Chairman only)	LTI (Executive Chairman only) ²	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval	No of members
2022 request	1,873	943	163	5,147	8,126	65	8,191	8,200	8.0
2021 approved	1,390	970	146	5,147	7,653	45	7,698	7,800	7.0
2020 actual	1,223	0	154	5,147	6,523	43	6,566	7,800	7.4

1 The variable short-term incentive for the Executive Chairman is explained in further detail in section 5.1.

2 The LTI plan for the Executive Chairman is explained further in section 5.2.

The allocation between Executive Chairman and Non-Executive Directors for the fiscal year 2022 is as below. Non-Executive Directors do not receive any short-term variable pay nor do they participate in LTI programs. All figures are shown in USD thousands.

Function	Fixed fee/ salary	Variable short term incentive (Executive Chairman only)	All other compensation (Executive Chairman only)	LTI (Executive Chairman only)	Total compensation	Employer social security charges	Total compensation including employer social security charges
Executive Chairman	729	943	163	5,147	6,981	14	6,995
Non-Executive Directors	1,145	0	0	0	1,145	51	1,196
Total	1,873	943	163	5,147	8,126	65	8,191

Executive Chairman

The 2022 proposal for the Executive Chairman compensation is reflected in the chart below, where 87% of the total compensation (short-term variable and long-term equity incentive) is subject to achievement of performance targets. 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. All figures are shown in USD thousands.

Year	Fixed fee/ salary	Variable short term incentive	All other compensation	LTI	Total compensation	Employer social security charges	Total compensation including employer social security charges
2022 request	729	943	163	5,147	6,981	14	6,995
2021 approved	647	970	146	5,147	6,910	11	6,921
2020 actual	443	0	154	5,147	5,744	7	5,751

The increase for 2022 is due to the higher Board fees from USD 108,000 to USD 140,000 and the fluctuation in exchange rates, there are no other changes.

The Executive Chairman took a voluntary base pay reduction in 2020 of 50% for the period May to December 2020 which explains the difference between 2020 and 2021. There is no change in terms between these two years.

Non-Executive Directors

The 2022 proposal for the Non-Executive Directors compensation only is reflected in the chart below. The average fee per director is increasing by an average of USD 40,000 as explained above in order to close the gap to the SMIM benchmark. All figures are shown in USD thousands.

Year	Fixed fee	Variable short term incentive	All other compensation	LTI	Total compensation	Employer social security charges	Total compensation including employer social security charges
2022 request	1,145	0	0	0	1,145	51	1,196
2021 approved	743	0	0	0	743	35	778
2020 actual	779	0	0	0	779	36	815

ANNEX – Information on the Compensation proposals (5.1 & 5.2) continued

4. Compensation for Members of the Executive Committee for the year 2022

VOTE 5.2: The Board of Directors proposes to approve a maximum aggregate amount of USD 40 million (CHF 36 million) as fixed and variable compensation of the members of the Executive Committee for the financial year 2022.

As announced in September 2020 and in January 2021, the Executive Committee membership has expanded due to the addition of multiple roles. The roles are NOT incremental to Temenos but have been added to the Executive Committee to encourage collaboration and closer teamwork:

- The Presidents of Europe and of APAC and Middle East & Africa have been added to align with the President of Americas, this role already being part of the Executive Committee. The regional presidents previously reported to the COO, Mr. Hilsenkopf, a Temenos veteran of 27 years. Following his retirement, they now report directly to the CEO, creating a flatter, more dynamic structure.
- Strategic partnerships are becoming more and more critical in our strategy and hence the President of Strategic Growth has been added to the Executive Committee.
- The key corporate functions of HR and Legal have been added to keep abreast and close to the business issues. In the SaaS era recruitment and retention of key people is critical, as is compliance and governance.

Following these changes, the Executive Committee comprises the following members:

- Max Chuard, CEO (Chief Executive Officer)
- Alexa Guenoun, COO (Chief Operating Officer)
- Panagiotis "Takis" Spiliopoulos, CFO (Chief Financial Officer)
- Mark Winterburn, CPTO (Chief Product and Technology Officer)
- Colin Jarrett, CCO (Chief Cloud Officer)
- Jacqueline White, President of the Americas
- David Macdonald, President of Europe
- Jean-Paul Mergeai, President of APAC and Middle East & Africa
- Monica Rancati, CHRO (Chief Human Resources Officer)
- Deirdre Dempsey, CLO (Chief Legal Officer)
- Philip Barnett, President of Strategic Growth

The table below shows the proposed total maximum amount of compensation for the members of the Executive Committee of USD 40 million split in compensation elements. The total maximum amount of compensation for both 2021 and 2022 includes the maximum possible payout for the STI of 150%. All figures are shown in USD thousands.

Year	Salary	Variable short term incentive ¹	All other compensation	LTI ²	Total compensation	Employer social security charges	Total compensation including employer social security charges	Shareholder proposal/ approval ³	No of members	Average per person in request
2022 request	5,465	8,792	495	21,232	35,984	3,663	39,647	40,000	11.0	3,604
2021 forecast	5,676	8,740	495	21,232	36,143	3,612	39,755	28,400	11.6	3,420
2021 approved	3,049	4,573	498	17,692	25,812	2,555	28,367	28,400	6.0	4,728
2020 actual	2,630	0	332	18,129	21,092	1,702	22,793	27,200	6.8	3,356

¹ The variable short-term incentive for the Executive Committee members is explained in further detail in section 5.1.

² The LTI plan for the Executive Committee members is explained further in section 5.2.

³ The Articles of Association allow for up to 40% increase in the aggregate amount of compensation for new Executive Committee members and promotions of existing members, i.e. up to USD 40 million for 2021.

The compensation request has increased due to the enlargement of the Executive Committee by 5 additional members (6 to 11). As noted above, all roles already existed within the organization, so the cost is NOT incremental to Temenos. Despite the increase in the total maximum amount of executive compensation proposed to shareholder approval, the average per person maximum total amount of compensation has reduced by 25%. 2021 includes notice period for Jean-Michel Hilsenkopf.

As the maximum amount of executive compensation for the year 2021 (USD 28.4m) was approved before the decision to strengthen the Executive Committee with additional functions, in order to compensate the newly joined 5 Executive Committee members in 2021 we will make use of the supplementary amount foreseen by the Temenos Articles of Association in the event of changes in the executive management. In accordance with Art. 26 of the Articles of Association, up to 40% of the total amount last approved by the AGM can be spent for new members of the Executive Committee per compensation period.

5. KPIs for Variable Plans

5.1 STI Plan

For 2021, the performance metrics are as follows:

KPIs for STI 2021	Weighting
Non-IFRS software licensing	30%
SaaS ACV	30%
Non-IFRS EPS	20%
Operating cash flow	20%

The targets are considered commercially sensitive and are not disclosed in advance. We will continue to monitor the SaaS acceleration that we have been seeing in 2020 and assess at the end of this year if these KPIs are still the most relevant for 2022.

5.2 LTI Plan

In order to address and support the SaaS acceleration, we have reviewed our KPIs to identify those which best reflect our strategy and growth as we transition. The Compensation Committee commissioned HCM International, a compensation consultant, to provide independent advice and support with regard to the review and selection of LTI KPIs.

In addition, we have had extensive discussions with shareholders on the proposed KPIs. Although there are many different opinions, we have taken on board the feedback where possible and concluded on the following KPIs:

KPIs for LTI 2021-2023	Weighting
Total Bookings	60%
Non-IFRS EPS	20%
Free Cash Flow	20%

These KPIs have been received very positively by analysts and investors, especially as evidenced in the Capital Markets Day held in February 2021 when these KPIs were first introduced. These have been implemented for the 2021 LTI SAR plan and we expect the same to be applicable for 2022.

Total Bookings

Total Bookings will replace non-IFRS product revenues and include fair value of licence and committed maintenance as well as SaaS committed contract value. All must be contractually committed and evidenced by duly signed agreements. Discounts are tightly controlled, and a strict internal approval process is in place to ensure these are managed. The Total Bookings number will be reported quarterly in our external financial reporting and will be subject to assurance procedures by our auditor PwC.

Non-IFRS EPS

The non-IFRS EPS measure is reduced in weighting from 40% to 20% however, it was considered an important metric that we would like to continue focusing on.

Free Cash Flow

Free Cash Flow is being introduced as a new metric to the LTI plan. Free Cash Flow is critical to performance as we go through the SaaS acceleration. Some shareholders felt strongly that this was a key metric to focus on.

ANNEX – Information on the Compensation proposals (5.1 & 5.2) continued

5. KPIs for Variable Plans continued

5.2 LTI Plan continued

Vesting Curve

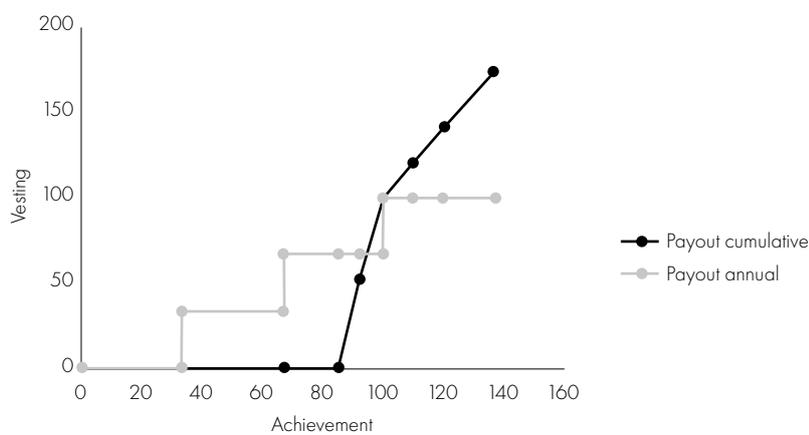
The vesting curve for all of the above KPI metrics will be as follows (same as in previous years for non-IFRS product revenues and non-IFRS EPS):

The vesting outcome for the number of SARs to be granted is the greater of:

- The total number of SARs resulting from the achievement of each of the individual annual targets of the three-year plan, where one third of the total number of SARs is attributed to each year. For this annual vesting, the final number of SARs to vest is binary, either 0 or 100%. The vesting is still subject to the three-year service period.
- The total number of SARs resulting from the cumulative actual achievement of the respective KPIs of the three-year plan being greater than 85% of the sum of the three annual targets. The cumulative over or underachievement results in vesting as per the chart below.

Actual cumulative achievement as % of cumulative annual targets	85%	92.5%	100%	110%	120%	137.5%
Proportion of SARs vesting	0%	50%	100%	120%	140%	175%

Annual and cumulative vesting



Impact on inflight plans

The KPIs for the future years of the 2019-21 (i.e. 2021) and 2020-22 plans (i.e. 2021 and 2022) will be modified to align with the above KPIs being implemented for 2021.

The reason for this change is to ensure that:

- management is aligned with the strategy of the company,
- there is no conflict between different plans and
- there can be no confusion by management of what is expected of them.

As the KPIs will be different for earlier and later years (e.g. product revenues for 2019 and 2020 and bookings for 2021 and 2022), the cumulative override is no longer available, only the annual targets can be met. 2019 targets were met, 2020 targets were not met, so a maximum of 67% vesting can be achieved if all future targets are met. Note also that the realization of any gain is conditional on share price performance. The grant prices for both plans are shown below and returns are only realized where the share price exceeds the grant price.

Performance Years/Plan	Targets	2019-2021 plan	2020-2022 plan
Grant price USD		137	168
2019	Met	33%	
2020	Not met	0%	0%
2021	New KPIs	33% if met	33% if met
2022	New KPIs		33% if met
Maximum possible vesting		67%	67%

Temenos compensation philosophy has been, and continues to be, to set stretch targets and to reward management well if they meet these targets.

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