

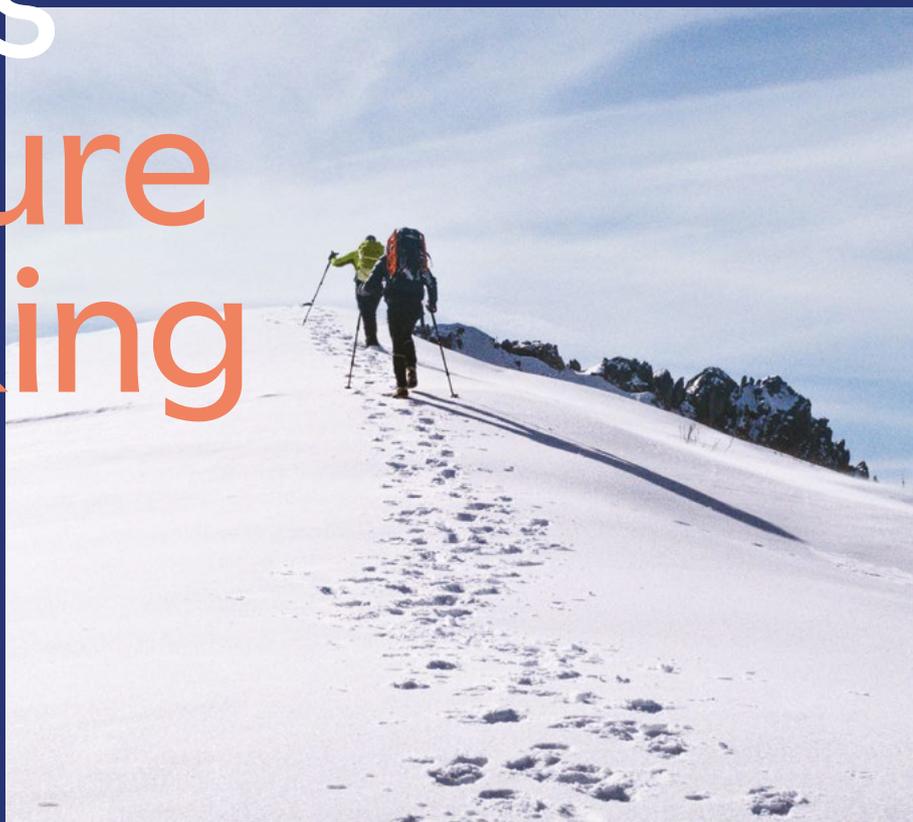
Everyone's Banking Platform

Annual Report
and Accounts 2022



temenos

We're on a journey towards the future of banking



3,000 firms in over 150 countries across the globe rely on Temenos to process transactions. We work with clients of all sizes, from those with 500 accounts to our largest client with 150 million accounts. Our clients are also supported by over 200 Partners.

Our passion for making banking better drives us to be the banking platform for all kinds of players in the industry – for large and small banks, for non-banks and fintechs, for Partners and developers, for everyone.

Our strategy to be Everyone's Banking Platform:



Continued SaaS acceleration



North America focus



Increasing penetration in large banks



Partner first approach



Highlights of 2022

Non-IFRS

Annual Recurring Revenue (USDm)

626.1

2021: 553.4m (+13%)

Subscription revenue (USDm)

105.7

2021: 14.4m (+634%)

SaaS revenue (USDm)

163.7

2021: 123.7m (+32%)

Total software licensing (USDm)

404.8

2021: 415.9m (-3%)

Maintenance (USDm)

401.9

2021: 395.1m (+2%)

Total revenue (USDm)

949.6

2021: 967.0m (-2%)

EBIT (USDm)

272.4

2021: 356.8m (-24%)

EBIT margin (%)

28.7

2021: 36.9% (-8%)

Earnings per share (USD)

2.82

2021: 3.80 (-26%)

Operating cash flow conversion (USDm)

316.6

2021: 473.0m (-33%)

Dividend per share (CHF)

1.10

2021: 1.00 CHF (+10%)

- Sales cycles lengthened in the second half of 2022 as banks became more cautious due to macro uncertainty.
- A number of tier 1 deals signed across regions in the year, including with a leading US bank extending its relationship to include its international private banking operations; revenue mix from tier 1 and 2 during FY-22 recovered to 2019 levels.
- Maintained strong win-rates vs. competition, both traditional and neo-vendors.
- Rise of cloud starting to also benefit subscription business as banks, especially tier 1 and 2, but also others, start to implement cloud-native solutions that they run themselves on public cloud.
- North America total software licensing at 37% for FY-22, highest ever as we continue to make consistent progress in the US.
- Continued strong SaaS growth and ACV driven by sales to new customers as SaaS becomes more mainstream.
- Subscription transition continues at pace, realized value premium within expected range.
- Strong ARR growth driven by SaaS ACV and subscription transition.
- Cash flows benefit significantly from the positive working capital dynamics of the SaaS business to minimize impact of subscription shift.

Contents

Overview

- 1 — Highlights of 2022
- 2 — At a glance
- 6 — The future of banking

Strategic Report

- 8 — Executive Chairman and acting CEO statement
- 10 — Our market opportunity
- 12 — Our strategy
- 14 — Industry recognition
- 16 — Temenos CEO navigator
- 18 — Software and products
- 23 — Research and development
- 26 — Partner first delivery
- 32 — Sustainability
- 108 — Appendix
- 126 — Financial review
- 132 — Principal risks and uncertainties

Corporate Governance

- 142 — Board of Directors
- 146 — Executive Committee
- 148 — Corporate governance report
- 162 — Compensation report

Financial Statements

- 186 — Report of the statutory auditor
- 193 — Consolidated statement of profit or loss
- 194 — Consolidated statement of other comprehensive income
- 195 — Consolidated statement of financial position
- 196 — Consolidated statement of cash flows

- 197 — Consolidated statement of changes in equity
- 198 — Notes to the consolidated financial statements
- 249 — Report of the statutory auditor
- 253 — Unconsolidated balance sheet
- 254 — Unconsolidated income statement
- 255 — Notes to the unconsolidated financial statements
- 261 — Financial highlights
- 262 — Information for investors
- 263 — Temenos world offices
- 267 — Sources
- 268 — Notes



Overview

AT A GLANCE

The open platform for composable banking

Our purpose is to power a world of banking that creates opportunities for everyone.



3k

clients in 150+ countries

500

accounts with our smallest client

150m

accounts with our largest client

200+

Partners

Our values

We challenge

We challenge the status quo, try to look at things differently and drive change.

We commit

We commit with determination and persistence to make things happen.

We collaborate

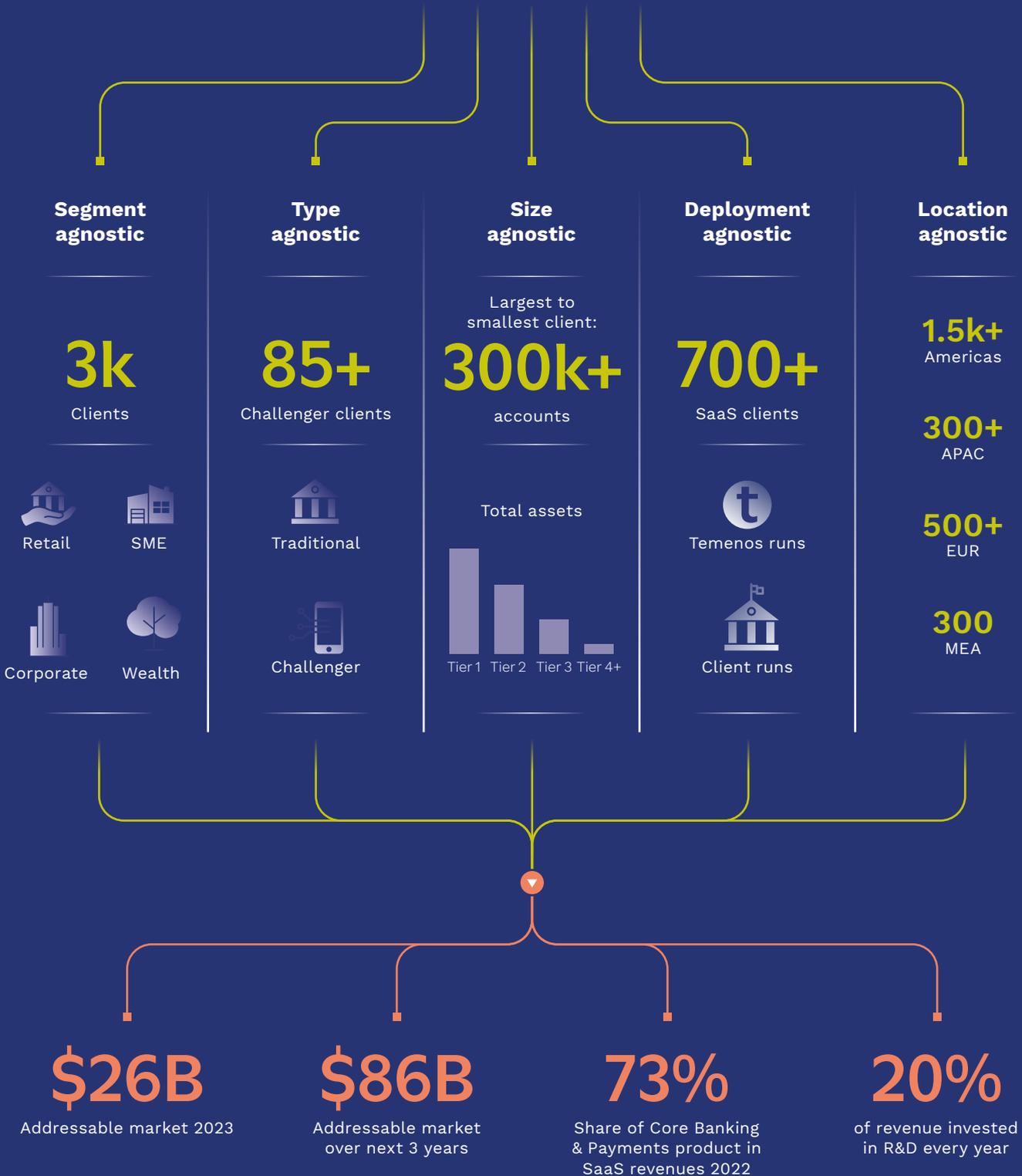
We collaborate within Temenos and across a broader Partner ecosystem.

We care

We care and listen to each other, our clients, Partners and the communities we serve.



Temenos uses a single code and configuration base





Overview

AT A GLANCE continued

Our global footprint



Read more on page 263



The Americas

Revenue (%)

29%

Total software licensing revenue (%)

43%



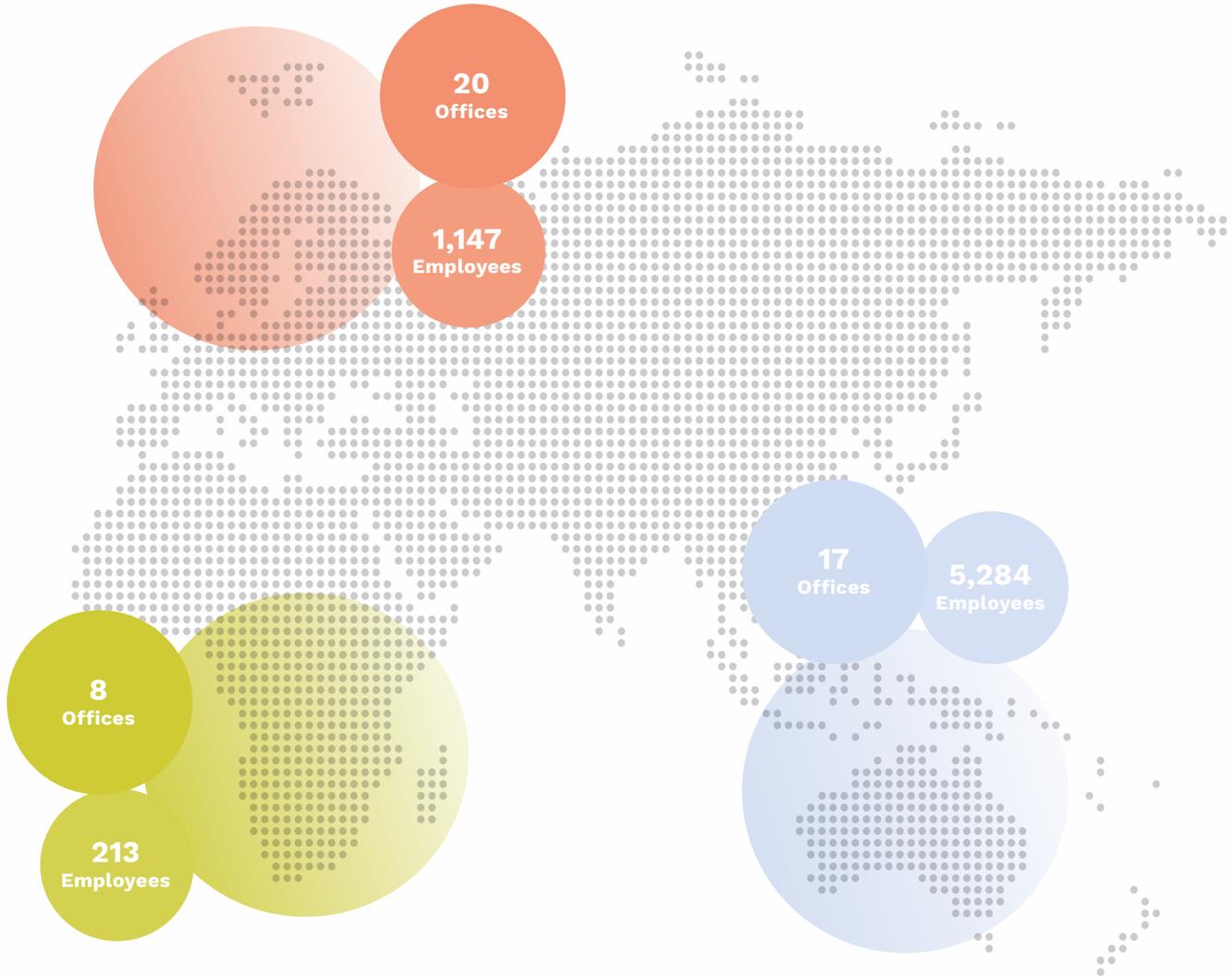
Europe

Revenue (%)

29%

Total software licensing revenue (%)

19%



Middle East & Africa

Revenue (%)

22%

Total software licensing revenue (%)

18%



Asia Pacific

Revenue (%)

20%

Total software licensing revenue (%)

20%



Overview

THE FUTURE OF BANKING

Innovation brought to you by Temenos

We live in an era of seismic change, making it harder for banks to stay relevant and profitable. But this is not true for all banks. By leveraging their core assets, and using technology to reinvent themselves, we are helping banks thrive. We are also helping fintechs and neobanks to provide innovative financial services built on our modern cloud-native technology.

A winning offering

- Sector specific solutions.
- Industry-leading products.
- A strong technology platform.
- Temenos Banking Cloud – our SaaS offering.

Industry context

A number of disruptive technologies are driving change across the banking landscape and influencing the approach banks take to their IT renovation and transformation.

- Cloud, APIs and DevOps have already been widely adopted in the industry.
- Blockchain and distributed ledgers are changing trade finance and cross-border payments as well as paving the way for alternate finance systems in the future such as central bank digital currencies (CBDCs) as well as decentralized finance (DeFi).
- Around the corner are quantum computing, AR/VR, which are poised to cause further disruption.

These technologies have also led to the unbundling of the value chain and the rise of new entrants that are changing our target market further.

Nimble non-incumbents such as payment providers, e-commerce and technology giants as well as neobank and fintech challengers, with their lower cost operating models and superior customer experience, are attacking both margins and market share of incumbents. However, the past year's geopolitical and macroeconomic climate has changed for neobanks and fintech challengers and we expect this to continue this year. These players are entering uncharted territory in a rising interest rate and recessionary environment. Their competitive edge is being eroded by tightening funding, greater scrutiny on profitability by investors as well as the incumbents catching up on compelling digital propositions on a wider range of products post-Covid.

For Temenos, the market opportunity remains robust and growing both in the incumbent and non-incumbent segments. We remain an undisputed market leader in the incumbent (traditional) banking market which is projected to be 88% of our addressable market in 2026. We have also strongly positioned ourselves to serve the fast growing non-incumbent segment with our market leadership position within challenger banks, fintechs, platforms and BaaS players.

Public cloud adoption is expected to continue strongly in coming three years, with twice as many bankers expressing preference for public cloud in 2022 vs 2021 per industry reports. This in turn is driving demand for Software-as-a-Service (SaaS). For Temenos, the SaaS and public cloud share of the market is expected to reach 30% by 2026 as it is growing 6X faster than on-premise. Public cloud and SaaS adoption are being driven by enhanced security and resilience requirements, sustainability and multi-cloud preference to avoid vendor lock-in and concentration risk, as well as business agility and elasticity.

We've always been pioneers

- **1993**
Packaged Upgradable Open
- **2003**
24x7 banking Multiple Stack support
- **2011**
Cloud Ready
- **2020**
Cloud-native (Core Banking) Cloud Agnostic XAI
- **2021**
Cloud-native (All products)
- **2022**
Open platform for composable banking

Unparalleled R&D investment

\$2.8B

1995-2022

\$1.3B

in the mid-term
(Based on historic R&D ratios on predicted revenues)

x2

Temenos R&D twice the level of competitors. The highest R&D spend in the industry





Strategic Report

EXECUTIVE CHAIRMAN AND ACTING CEO STATEMENT



Andreas Andreades

**Executive Chairman and
acting CEO**

Driving future growth



Thoughts on our performance in 2022

2022 has been an unusual year in our 29-year history. We started the year with hope that the previous two years of operating within a global pandemic were behind us and that we would begin to return to something resembling a more normalized operating environment. What resulted was very different and more reminiscent of some other unusual years in our operating history. The energy crisis triggered by Russia's invasion of Ukraine, and the subsequent rise in inflation we had indeed not expected and neither had our clients. In addition, in the first half of the year at least, we saw a continuation of the trend of a significant elevation in people across the technology sector moving jobs either within the sector or seeking more flexible ways of working in technology and other sectors. We saw less of this trend in the second half of the year as macroeconomic uncertainty began to cool some of the heat in the technology job market.

Clearly there was a fundamental change in the entire technology market in 2022, not just for Temenos and the banking technology space. And within this context, I am very proud of the way all Temenosians rallied together to deliver for our clients across the globe. We have always known our people are the key to our success and this was never more true than in 2022. Since the day we started Temenos we had a strong set of values which are our true north. And in years like 2022, it is these values that see us through the year and enable us to keep moving forward.

Despite the unusual 2022, the fundamentals of our business are intact. We benefit from a large and growing opportunity, with an estimated USD 23 billion serviceable addressable market in 3rd party banking software spend, which is expected to grow at 11% CAGR to reach around USD 34 billion by 2026. Bank IT spend is expected to increase in line with banks' revenue as the macroeconomic turmoil of the last couple of years stabilizes, with digital transformation of both front and back-office systems top of mind for banking executives.

Within our market, Temenos remains a clear industry leader. We have remained true to our business principles of selling packaged, upgradeable software with state-of-the-art technology, on a single code and configuration base. We continue to invest in R&D and innovation through the cycle to pull further ahead of the competition and we are investing in Sales and Marketing to capture the growing demand in our market. This has enabled us to sustain high win rates, both across our traditional competitors and across the so-called neo-vendors which have entered the market in the last five to ten years.

Sound corporate governance must include alignment between corporate performance and global responsibility. We are leading the market globally in terms of Environmental, Social and Governance (ESG), having embedded ESG into our operations and product offering. Top ESG global indices and ratings, such as DJSI (Top in our category globally), S&P (Gold distinction), FTSE4Good (Top 10%), CDP (Leadership band), ISS (Prime), MSCI AAA (Top), Sustainalytics (Top-rated ESG performer), Bloomberg Gender Equality Index (Top performer) and our science-based targets are our credentials. The fundamental trend in our business towards SaaS and cloud adoption focuses on building a sustainable business for our customers, a true climate-related business opportunity, with a shift to 32% carbon efficient, greener Temenos technology and up to 95% carbon efficient, resilient service delivery to our customers with the hyperscalers. We are pioneering within our industry, helping our clients become sustainable and inclusive organizations, as we have the technical and ESG know how to combine digital transformation with sustainability.

Examining the market growth drivers in more detail, we see that the rise in demand for SaaS and cloud is a key driver of spend across all our clients, from tier 1 and 2 banks through to the challengers and new entrants to the banking services market. All of our clients are seeking to benefit from utilizing cloud infrastructure and this is feeding into growing demand, with spend on 3rd party SaaS expected to grow at around 34% per annum for the next few years. We are seeing this impact both in terms of the very strong growth in our SaaS revenue, but also in the growth of our subscription revenue. We launched our transition to a subscription model at the start of 2022, which has significant benefits for our clients in terms of flexibility of the consumption model and the lower upfront cash outlay compared to traditional term licenses. For Temenos, not only do we capture a value uplift from the move to subscription, but the subscription transition is also accelerating our move to a more recurring revenue model, with greater visibility on profit and free cash flow in the mid-term.

The transition to subscription does have an impact on our cash flow, as we collect less cash upfront compared to a traditional term license contract. However, this is offset by a positive working capital impact from the growth in our SaaS revenue which is larger than the corresponding negative impact from the shift to subscription because of the size and growth of our SaaS business. Like-for-like, we collect and book more revenue for a SaaS contract than subscription, because of the additional services we are selling alongside the software. This means that we already reached the minimum point in our free cash flow generation in 2022 and are forecasting a strong acceleration in free cash flow from 2023 onwards.

Values and leadership

As I am sure you are aware, we announced a number of governance changes in January 2023. Max Chuard stepped down as CEO and I took on the role of acting CEO in addition to my Chairman responsibilities. I am grateful to Max for his 20 years of service to Temenos.

I will not be standing for re-election to the Board of Directors at this year's AGM and, as such, this is my last Chairman's letter to shareholders after 24 years in leadership positions with Temenos and 12 years as Chairman of the Board. The Board is in the process of seeking a new CEO, looking at both external and internal candidates, and I am confident they will find a suitable successor to take on the role and drive the growth of Temenos in the future. We expect this process to be complete by the end of 2023 and, once complete, I will hand over my CEO responsibilities as well. We are fortunate to have great strength and depth in the skills of our Directors and have proposed Thibault de Tersant to take over the role of Chairman of the Board. Thibault is an incredibly experienced software Executive and Board Director and is an outstanding choice to lead the Board and Company going forward.

I discussed our values earlier in this letter and the senior management team we have in place is the embodiment of these values. We have built these values over the last 29 years and they will be just as critical for the leadership of the Company over the years to come. Our senior management are some of the best in the banking software space and I know the business is in very capable hands, with a team that will support whoever is brought in as the next CEO.

I firmly believe Temenos will continue its very successful journey and look forward to seeing the Company go from strength to strength in the future.

Andreas Andreades
Executive Chairman and acting CEO



Strategic Report

OUR MARKET OPPORTUNITY

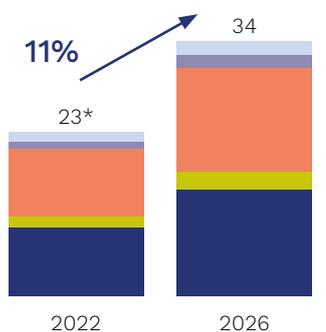
Market growth driven by structural industry drivers

Temenos Serviceable Addressable Market (SAM)

Serviceable Addressable Market is the banking 3rd party software spend addressable by Temenos products.

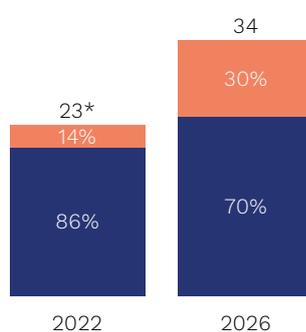
Serviceable addressable market (SAM) \$B

By product



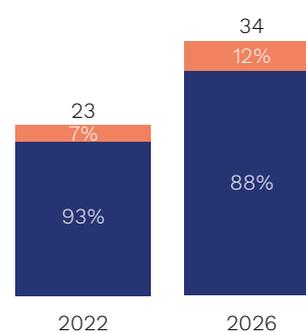
- Transact
- Infinity
- Fund Admin
- FCM
- Payments

By SaaS vs On Premise



- On Premise
- SaaS

CAGR 2022-26



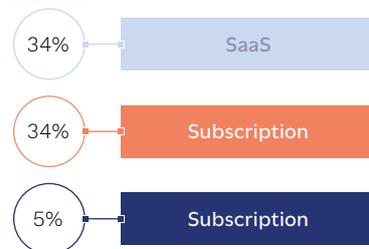
- Incumbents
- Non Incumbents

CAGR 2022-26



Demand for SaaS and cloud benefiting both SaaS and subscription revenue

CAGR 2022-26



94%

of bankers expect >50% of business to move to cloud within 3 years

2X

increase in preference for public cloud amongst banks in 2022 vs 2021

On-premise Public cloud, bank run SaaS: vendor run

We monetize Public Cloud and SaaS market growth through both SaaS and Subscription to drive ARR.

Source: IDC, Ovum, McKinsey, S&P CapIQ, CB Insights, Temenos estimates. FCM is Financial Crime Mitigation.



Temenos' revenue and operating models

Subscription revenue



Subscription revenue



SaaS revenue





OUR STRATEGY

Key strategic initiatives to drive growth



Continued SaaS acceleration

Our SaaS business has grown at a 35% CAGR between 2019 and 2022, with a continued improvement in gross margins. Future profitable SaaS growth will be driven by:

- platform's market-leading scalability and security. We have enabled a market leader in embedded lending scale significantly with ~150 million accounts over a period of three years, with ~378 million API calls during Black Friday 2022 promotion itself; a success story that other banks and challengers want to replicate;
- platform advancements in self service capabilities. The Temenos Extensibility Framework enables Partners and clients to seamlessly build on top of our functionality and eases integration and future upgrades;
- significantly lower carbon emissions on the Temenos Banking Cloud, with calculator to help banks quantify their carbon footprint;
- continued increase in demand for SaaS within traditional banks across tier, coupled with a proactive campaign to migrate suitable clients from the installed base to SaaS; and
- continued improvements in SaaS operations, especially around further automation and quality enhancements, in parallel to fast accelerating volumes will further boost margin.



North America focus

Temenos has ~1,500 clients in North America, which continues to grow as our North America strategy pays off. The region's share of our total software licensing grew further this year and is expected to reach 45-50% in the mid-term. Our strategy in the region will continue to:

- target top tier banks for digital transformation, both for domestic and overseas entities. In 2022, we signed with a global tier 1 headquartered in the region for their international Wealth platform;
- target top tier banks and Credit Unions with targeted Infinity offering (originations, customer journeys, collections), which led to six new signings in 2022;
- maintain leadership in Challenger banking segment where we signed with the banking arm of a large retailer and a newly established ethical challenger in 2022;
- leverage our client base and geographic reach to enable international banks operating in the US; such as an Indonesian bank who signed with us in 2022; and
- build on our partnership with Mbanq to penetrate the US BaaS market, specifically targeting tier 3-4 banks looking to launch BaaS and brands and fintechs launching embedded finance offerings.



Increasing penetration in large banks

Increasing our penetration in larger banks – the tier 1s and 2s – remains a key focus for us as we see increased spending from these banks on third party software driven by (1) competition from non-incumbents, (2) the BaaS opportunity and (3) growing demand to leverage the benefits of public cloud.

In 2022 large banks contributed ~43% of our Total Software Licensing (non-IFRS), an increase of ~7 ppts from the previous year. Our growth in large banks will be driven by:

- progress in Composable platform. 35 independently deployable and upgradeable banking capabilities with another 30 in progress, to support progressive renovation;
- cloud-native – platform enhancements include:
 - latest innovations from hyperscalers without lock-in (cloud agnostic);
 - embedded and continuous DevOps which lowers time-to-market; and
 - elasticity, reliability and enhanced security across regions;
- doubling down on Wealth and Corporate Banking (large bank Corporate Lending), leveraging continued wins and platform investments;
- market leadership in bank-owned-challenger segment, which positions us to capture future opportunities in digital entities of large banks; and
- global presence and localization with 45+ Country Models; a key differentiator for multi-geography harmonization. Partner-driven localization strategy will further accelerate it.



Partner first approach

Our Partner first model is at the heart of our strategy. Not only do Partners help us scale across the value chain, but also improve win rates in competitive deals. Our key Partner plays include:

- Sales Partners for localization – set up partnerships for country model or segment specific solutions, such as our recently announced partnership with NDC tech;
- resellers – set up resellers for specific territories; 25 new resellers onboarded in Q4-22 itself;
- Delivery Partners – continuous review of Partner coverage and capabilities allows us to keep enhancing our network, with three new delivery Partners poised to be onboard early in 2023. We drive Partner certification programs by solution to help our clients and Partners make the most of our platform; and
- Temenos Exchange – more rigorous selection process ensures the best complementary solution providers join our platform. We onboarded 23 new Exchange Partners in 2022, with ~80 new solutions planned for onboarding in 2023. We also plan to increase the number of pre-integrated solutions.



INDUSTRY RECOGNITION

A market leader

A “Market Leader” in core banking and a “Market Leader” in digital banking platforms.³

Gartner¹

- Recognized as a Leader for the 12th time in the 2022 Gartner® ‘Magic Quadrant for Global Retail Core Banking.’

Forrester²

- Leader in Forrester Wave for Digital Banking Processing Platforms For Corporate Banking, Q3-22 and Leader in Forrester Wave for Digital Banking Processing Platforms For Retail Banking, Q3-22.
- Leader in Forrester Wave for Digital Banking Engagement Platforms, Q3-21 and Leader in Forrester Wave for Digital Banking Engagement Hubs, Q3-21.
- Classed as ‘Global Power Seller’ for new business for the 16th consecutive year and ‘Top Global Player’ for new and existing business deals for 10th consecutive year plus second year as ‘Top Global Cross-Seller’ (new category) in Forrester Global Banking Platform Deals Survey 2022.
- Leader in Forrester Wave for Low-Code Development Platforms for AD&D Professionals (Q1-19).

Omdia (formerly known as Ovum)³

- “Market Leader” in core banking and “Market Leader” in digital banking platforms.
- “Market Challenger” in Anti-Financial Crime solutions.

IBS Intelligence⁴

- Ranked best-selling core banking system for the 17th time and top two positions for the past 21 consecutive years.
- Ranked best-selling digital banking and channels system.
- Ranked best-selling payments system.

Celent⁵

- Temenos’ client, Varo Bank, received the Model Bank of the Year Award at the 2021 Celent Model Bank Awards.
- Temenos’ client, EQ Bank, received the Celent Model Bank 2020 Award for Banking in the Cloud.

IDC (International Data Corporation)⁶

- Recognized as a ‘Leader’ with Temenos Infinity in the IDC MarketScape for North America Digital Banking Customer Experience Platforms 2022.
- Winner of ‘Agility & Efficiency’ category of IDC Real Results Awards 2021 for Temenos and client, Comerica. Temenos also recognized as joint overall winner of IDC Real Results 2021.
- Recognized as a ‘Leader’ for Worldwide Integrated Payment Platforms.
- Recognized as a ‘Leader’ for Know Your Customer (KYC) Solutions in Financial Services and as a ‘Major Player’ for Anti-Money Laundering (AML) Solutions in Financial Services. Recognized as a Leader in global core banking, European mobile banking and wealth management front and middle office.

Aperture: The Market Map for Wealth Management Software 2021

- The only vendor recognized as a Leader and a Transformer (the two highest categories) for WealthTech.

FStech Awards 2022

- Awarded ‘Technology Provider of the Year’ for 2022.

Aite Group⁸

- Recognized as ‘Best in Class’ (the highest ranking) for Wealth Management-Focused Core Banking Systems.
- Recognized as ‘Best in Class’ (the highest ranking) for US Digital Banking Solutions of Core Providers.
- Recognized as ‘Best in Class’ (the highest ranking) for Investment & Fund Accounting Systems.

→ Find sources on page 267



12 times

Recognized as a Leader 12 times¹ in Gartner Magic Quadrant for Global Retail Core Banking

16 years

Classed “Global Power Seller” for new business²

17 times

Ranked best-selling core banking system⁴





Strategic Report

TEMENOS CEO NAVIGATOR

Unlocking business value from IT investment

Accelerating value creation by measuring and comparing a bank’s business performance with banking peers.

The CEO Navigator, formerly called Temenos Value Benchmark (TVB), is a strategic advisory program offered to our clients and prospects to help them understand, accelerate and optimize the tangible business value created by their investment in IT. By leveraging our 29 years of banking domain experience and 3,000 banking clients across 150 countries, we are able to provide our clients data-driven insights into business value creation using a proven value-based methodology.

The objective is to measure and compare a bank’s business performance with other Temenos clients, around specific business and IT metrics and best practices along the banking value chain. Participants in the program receive a customized confidential report comparing their business performance with anonymized peer group data from other participants, including executive-level findings with business and IT insights structured along the banking value chain.

Over 200 quantitative metrics, as well as qualitative best practices are collected from each participant to enable us to provide correlations and insights to explain banking performance. The program provides a view on high-performing banks and their adoption of best practices, aligning these with Temenos’ leading digital banking solutions and providing state-of-the-art recommendations throughout the entire banking value chain. It enables banks to identify opportunities for operational improvements in their business in order to derive even more value from their IT investment, by further leveraging Temenos as not just a software provider but as a trusted partner, committed to our clients’ success.

Today, we have 125 banks as part of our community across 75 countries and three verticals (Retail, Corporate, Wealth), we have collected over 60,000 data points and met more than 1,200 senior business and IT executives as part of this initiative.





The C-Level endorse the Temenos CEO Navigator



Our CEO Chris Catliff, was quite impressed with the breadth of the Temenos Benchmark Report and, of course, BlueShore results. So much so that has asked it to be included in our Board Meeting Materials for our upcoming Board meeting in February. As he said to me, “I want them to know how great our technology compares as they are unaware.”

Fred Cook
CIO, BlueShore



The benchmark helped answer questions about our areas of investment that are really relevant to us as leaders of the organization, as well as our Executive Committee and Board members.”

Azfar Karimuddin
SVP, Information Services, Canadian Western Bank



The Temenos Value Benchmark is comparing you with other banks that run the same software, it has an operational focus and it is building your relationship with Temenos. If we do it again over the years, it will give us great insights compared to all the other benchmarks out there.”

Thomas Fehr
COO EMEA and Americas, Julius Bär Group AG



Using the technology we have now and with Temenos Value Benchmark, we are able to pull data we did not have access to in a meaningful way, to customize our products and services, to grow market share and to deliver a reliable and stable level of performance.”

Gregory N. Hill
Managing Director, Ansa Merchant Bank Limited

Delivering tangible business value through our platform



Win on customer experience

Hyper-personalization powered by open banking and explainable AI.

57%

Faster onboarding¹

30%

Higher NPS Score³

6x

Launch newer products²

20%

Higher cross-sell rate⁴

31%

Higher operations STP rate³

24%

More IT spend on growth and innovation³



Agility to grow

Faster innovation with cloud-native, API-first banking capabilities and a plug-and-play fintech ecosystem.



Scale without limits

Improved cost-to-income ratio with unlimited scale and services delivered at a fraction of cost of legacy systems.

Source:

1. Temenos CEO Navigator 2022. Sample from 102+ Banks. Refers to Digital Banking capabilities.

2. Retail banks with Temenos Product Builder. 3. Banks with Temenos core banking. 4. Banks running Temenos front-to-back.



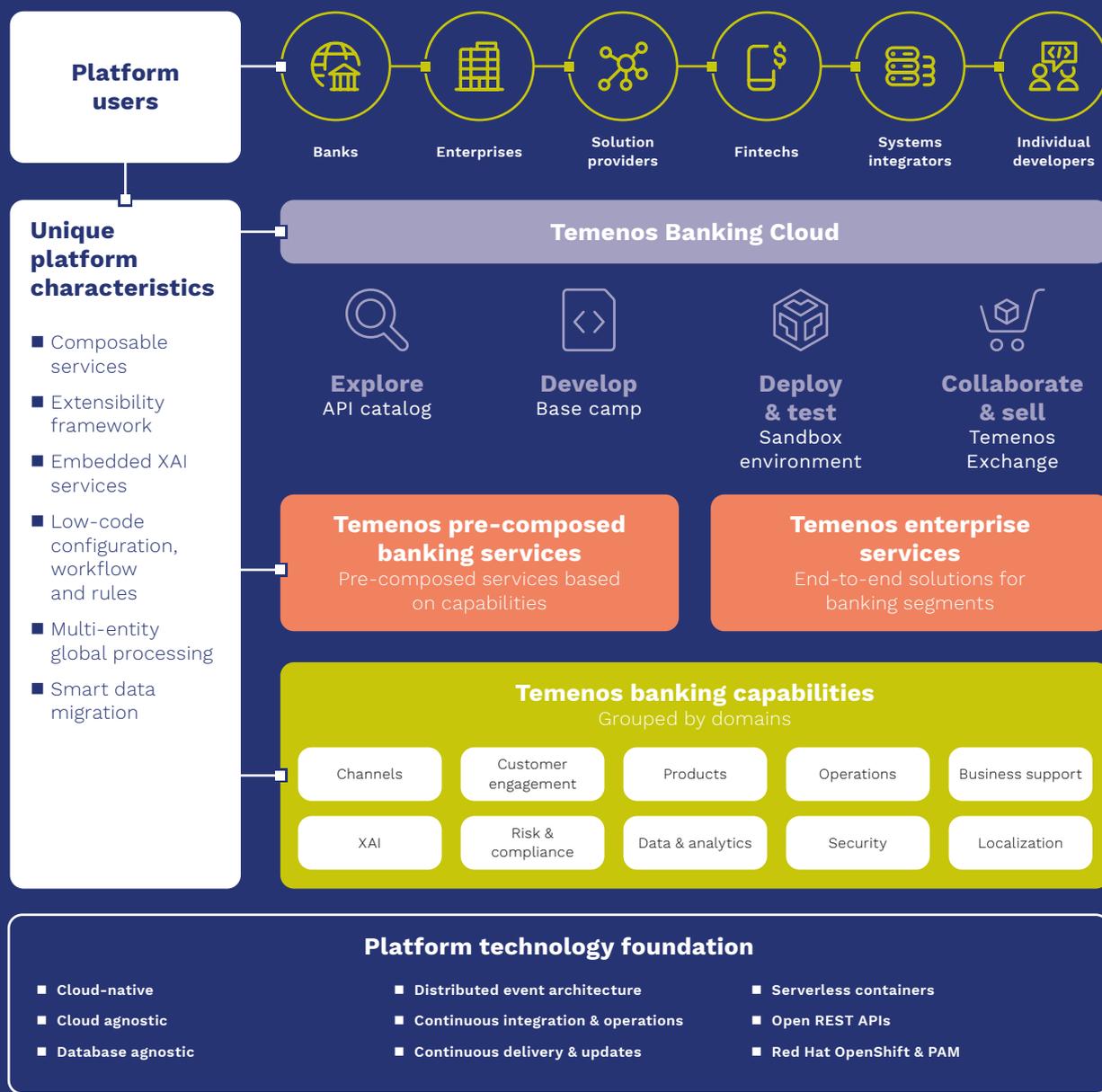
Strategic Report

SOFTWARE AND PRODUCTS

Our solutions

Temenos banking platform

The Temenos banking platform is the delivery foundation for all Temenos solutions and products. It provides the basis for an evergreen architecture enabling customers to continuously benefit from the most recent software and to extend solutions safely, without impacting operations.



→ temenos.com/platform/our-technology/



Cloud-native and cloud-agnostic

A cloud-native and cloud-agnostic approach for real-time, non-stop banking

Temenos provides banks with an architecture designed to support digital transformation and provide the flexible experiences demanded by today's digital customers.

Elastic scalability eliminates the need to provision for peak processing volumes so that banks only pay for actual usage, yielding significant cost savings. Temenos' cloud-agnostic approach enables the highest levels of long-term resilience and redundancy without creating a dependency on a single cloud service provider. This is a key Temenos strategy and an answer to regulatory concerns.

Cloud-native

Designed for the digital banking age, our software allows faster updates, lower provisioning, lower infrastructure costs, elastic scaling, active-active resilience and security. This is built using API-first and DevOps principles and engineered to deploy in containers and microservices.

Cloud-agnostic

We are the only banking platform readily available on Ali Cloud, Amazon Web Services, Google Cloud Platform, Huawei Cloud, IBM Cloud and Microsoft Azure. With Temenos, institutions can also deliver on-premise, cloud-like deployment using Kubernetes technology and open solutions such as Red Hat OpenShift.

Distributed event-driven architecture

The foundation for truly composable banking services

Temenos' banking capabilities are defined by their message schema which ensures that they are loosely coupled through an event-driven architecture. This means that the breadth of capabilities available on Temenos' open platform can be updated independently, eliminating the problems of distributed but monolithic solutions.

By delivering Temenos' capabilities in this way, customers can upgrade with ease and rely on the agility they need to transform step by step, deliver high-speed change and significantly reduce time to market and value.

API-first

Temenos' Open APIs allow banks to integrate quickly with a wide range of internal or external systems to help drive product and service innovation.

Temenos' Open APIs enable banks to execute strategies to thrive in an age of open banking and finance. Temenos' approach enables banks to meet regulatory requirements such as PSD2, through pre-defined APIs that meet published specifications such as Berlin Group, and STET. We enable banks and fintechs to innovate at speed, with a growing developer community, low-code integration resources and a complete catalog of interactive API endpoints to build innovative products and services on top of our open platform and banking capabilities.

Furthermore, banks benefit from the ability to enrich their offering to customers through the integration of new fintech technologies using Temenos Exchange.

Temenos offers an API-first architecture across its entire product range. This means that all significant product capabilities are exposed as standard, documented Open APIs and this forms part of the design and release process.

Temenos developer community

Our Open API catalog brings standardized out-of-the-box APIs to fast track innovation, supported by Temenos experts and a growing developer community with dedicated online support and resources.

Extensibility framework

The extensibility framework enables banks, Partners and solution providers to easily extend and configure solutions for their business needs, whilst protecting the reliability of Temenos software and the ability to upgrade seamlessly over time. A low-code environment and tooling enhance the developer experience and ensure consistency across the software development lifecycle.

Continuous operations

The extensibility framework embeds DevOps to enable high-impact changes to be made frequently and predictably with minimal toil. It enables continuous updates, continuous integration and delivery and unmatched resilience that comes with release validation tests provided with every capability deployed and updated on the platform.

Continuous updates are a core tenet of cloud utilization. DevOps teams delivering on continuous integration can expedite project delivery timelines through self-service and self-management environments and tools, controlling the pace with which development plans progress, from configuration to full testing.

Embedded DevOps provides banks with the ability to manage, configure and assemble Temenos software – either fully deployed and supported by Temenos Banking Cloud, or utilizing their own cloud infrastructure.

Increased stability

Temenos uniquely provides high-value release validation tests as part of every banking capability delivered on the platform, powering highly resilient updates and integrations for both Temenos capabilities and pre-integrated third party solutions on the Temenos Exchange. Banks can rely on the same continuous integration and delivery processes Temenos uses internally – running hundreds of thousands of tests daily – to optimize processes and workflows.

AI & machine learning

The most advanced next-generation Explainable AI and Machine Learning enables banking products.

Temenos is the first to bring transparency and explainability to AI automated decision making in the banking industry. Our patented Explainable AI (XAI) platform and Machine Learning capabilities are delivered on the Temenos banking platform and are available with all Temenos software either through an easy-to-use interface or through APIs delivered on-premises, in the cloud or as a SaaS offering.

Explainable AI (XAI)

Temenos' XAI platform addresses one of the key issues for banks using AI applications, which is that they typically operate as "black boxes" offering little if any discernible insight into how they reach their decisions. We bring cutting-edge innovation to the banking industry by providing transparency into these decisions and helping explain clearly, in plain language, to customers and regulators how AI-based decisions are made.



Strategic Report

SOFTWARE AND PRODUCTS continued

The Temenos Banking Cloud

→ temenos.com/temenos-banking-cloud/

Temenos has delivered market-leading and functionally rich SaaS and cloud banking solutions to clients in all geographies and banking sectors since 2011.

Our continued technology investment in this area led to the launch of the Temenos Banking Cloud in 2021.

In addition to maintaining our provision of a specialized SaaS delivery for all our product lines on an elastic, pay-as-you-grow basis, the Temenos Banking Cloud also offers:

- a self-service portal to enable customers to be more autonomous;
- a sandbox to rapidly explore and test Temenos solutions in a more self-guided way;
- the easy provision of Temenos solutions, which can be consumed with flexibility and fast time to market; and
- access to the Temenos Exchange, a marketplace of third party solutions which can be seamlessly incorporated into services and operations.

Banks and financial services providers can now take an extremely agile approach to innovation, exploring new ideas in the sandbox and then quickly move to prototyping and into production – safe in the knowledge that the solutions are priced elastically and can continue to be developed upon with real-world feedback. This makes innovation fast and continuous, further supported by continuous delivery, integration and updates which ensure that the latest capabilities and services are automatically delivered to customers on an ongoing basis.

Sector solutions

→ temenos.com/solutions/retail-banking/

Retail Banking

Temenos provides retail banks with agility and freedom to innovate front-to-back using the latest cloud and API technology and leveraging the broadest set of composable banking capabilities.

Every institution which provides retail facilities, whether they are a bank, a credit union, an embedded finance provider, or an inclusive finance institution, focuses on driving profitability and growth through the acquisition of new customers and increasing the wallet-share of existing customers. This requires a front-to-back approach, complete with AI-driven customer insights and a flexible product engine to offer customers more personalized, relevant experiences and services, embedded at the point of need.

Temenos Transact's Retail Banking capabilities include a functionally rich, flexible and agile core processing engine that enables institutions to offer personalized, customer-relevant products, while allowing for lower operational costs and increased ROE.

The Temenos Retail Banking solution helps our clients to:

- increase cross-selling with an integrated product catalog that helps to target products and new customers;
- get to market first with new products created quickly;
- create product offers and reward schemes that are personalized and flexible;
- cover all Retail Banking product areas with broad functionality;
- combine comprehensive capabilities easily to create innovative and focused products;
- use data and analytics to understand clients and businesses better and produce more relevant offers;
- leverage the capability of existing core platforms, whilst also extending the product design capabilities in the bank;
- create personalized products which bundle capabilities spread across multiple systems, including those outside of the bank;
- connect and engage with customers and deliver valuable personalized insights;
- accelerate Retail Banking growth by acquiring new customers and increasing share of wallet via digital sales;
- create frictionless, personalized and secure banking experiences to increase customer satisfaction; and
- thrive in a world of Open Banking and fintechs with digital ecosystems and open innovation.

Whether a bank is a new start-up looking for its first solution, or a large-scale multi-country bank, the software provides a solution which will enable it to scale, onboard, reduce attrition and deliver a market-leading service to its customers.



Business Banking

→ temenos.com/solutions/business-banking/

Temenos provides banks which offer solutions for SMEs and growing businesses with flexible account and lending services to enable businesses to thrive and scale to meet their goals.

Every bank providing solutions for businesses of any size needs to easily acquire new customers and allow them to scale as their business grows. This requires a front-to-back focus for basic banking services plus the need for lending facilities, complete with high levels of AI-driven customer insight to help them manage their business better.

The Temenos Business Banking solution is an integrated banking software solution for banks offering services to businesses of all sizes across the globe.

The solution helps our clients to:

- cover all SME and Business Banking product areas with broad functionality for organizations of any size;
- combine comprehensive capabilities easily to create innovative and focused products that allow a business to grow;
- enable innovative pricing schemes for distinct propositions;
- provide omnichannel experiences to their range of customers;
- accelerate SME banking growth by acquiring new customers and increasing share of wallet via digital lending;
- scale a business from a sole trader to a larger, growing business with international operations; and
- gives the business easy control over users and user rights to ensure each individual is able to perform their required role.

The solution provides a firm with insight about its business, with the Smart Banking Advisor capability offering intelligent insight into areas such as cash flow predictions that can then help it manage the business better. Using next generation AI, our solutions can empower a business owner to make the right decisions for the growth of their business.

Whether a bank is new to the SME segment, or already offering solutions, Temenos software will enable it to scale, onboard, reduce attrition and deliver a market-leading service to its business customers from sole traders to commercial clients.

Corporate Banking

→ temenos.com/solutions/corporate-banking/

The Temenos Corporate Banking solution, with its scalable, innovative technology, provides superior features for corporate banks, supporting profitability, customer acquisition and retention. Corporate and commercial banking customers can now benefit from a seamless digital solution that is equal to the leading retail banking experience.

Temenos' Corporate Banking customers benefit from increased efficiency and profitability through:

- a full, complete, single solution;
- a transparent, single view offering a 360° view of accounts;
- agile, parameter-driven platform flexibility;
- a product builder to quickly create segment customer level products;
- insight into customer profitability, loyalty, attrition risk and number of products for targeting activity;
- a massively scalable, straight-through processing solution;
- comprehensive business functionality and a modern, advanced, secure, open and modular architecture; and
- an automated, digital solution without the need for cumbersome paper-based processes.

Our solution is divided into three main areas:

Corporate lending

Temenos offers a complete solution for a bank's corporate lending needs. A comprehensive front-to-back credit solution which extends from origination to facility design and management provides for the efficient set-up of new facilities using the inbuilt pricing grid and an extensible set of standardized covenants and lending terms which can be applied at initiation or change in the credit cycle. The solution supports both bilateral and club loans and can be used to address both the Business Banking and Corporate Banking sectors.

Cash management

Temenos provides a full set of cash and liquidity management tools, ranging from traditional auto-sweeping and balance maintenance capabilities to virtual account processing. These are accessed by means of sophisticated user design tools, to make the process of creating and managing complex hierarchies easier and more efficient.

Trade finance

There is support for a wide range of trade finance instruments, enabling banks to provide a full service to their customers which trade internationally.



Strategic Report

SOFTWARE AND PRODUCTS continued

Wealth management

→ temenos.com/solutions/wealth-management-private-banking/

An end-to-end, componentized solution empowering wealth managers, private banks and their clients with the latest technology.

With a strong client base, including some of the largest global private banks, Temenos Wealth is the de facto software solution for the private wealth management industry. It provides differentiation with superior digital and front-office capabilities, Total Cost of Ownership (TCO) reduction through core automation and cloud technology and the ability to digitally transform firms through real-time, front-to-back integration.

Temenos Wealth is an end-to-end solution covering all of a firm's needs, from self-service channels to portfolio management to back-office processing and market data management. It is unique in its breadth and depth, with digital customer experience, hyper-personalized services and highly automated processes that enable our clients to service Ultra High Net Worth Individuals and Mass Affluent clients alike. Its composable architecture, available as-a-service or on-premise and the standard integration to Temenos Transact and the wider Temenos ecosystem make it the ideal solution for firms which seek to grow in a highly competitive environment, while protecting their margins.

In a sector undergoing considerable changes, Temenos Wealth helps our customers tackle the most urgent challenges with substantial benefits:

- higher engagement through an exceptional customer experience;
- growing revenue from differentiating investment services and efficient portfolio management;
- lower costs with highly automated back-office operations; and
- risk mitigation with enhanced data quality and regulatory compliance functions.

Fund administration

Offering fund administrators, asset managers, insurance companies and pension funds a complete solution to thrive in the digital age and deliver greater operational efficiency, improve control and oversight and reduce operational risk.

- Supports investment book of record (IBOR) and fund accounting (ABOR) activity with a single, global platform.
- Sophisticated, highly automated workflow, to drive enhanced scalability and efficiency.
- Unique Explainable AI (XAI) enabled exception management, to reduce false positives and enable accounting team to clear exceptions more efficiently.
- Leveraging the latest cloud-native, cloud-agnostic technologies to scale with demand.

Islamic Banking

Temenos Islamic Banking is a flexible and efficient award-winning solution, delivering an outstanding Shari'ah compliant experience to customers using a combination of digital and human interaction and leveraging advanced graphical product building capabilities and modern technology to create offerings that are compliant and personalized, enabling digital transformation.

Temenos' Islamic Banking clients benefit from an outstanding experience using a combination of digital and human interaction and leveraging advanced graphical product building capabilities and modern technology, to create offerings that are compliant and personalized while reducing operational costs and risks.

- Compliant: fully compliant to Shari'ah requirements, processes and account entries.
- Comprehensive: covers all areas of banking with rich functionality across all verticals.
- Enables innovation: with faster time to market due to its flexible product builder.
- Digital: built on the best digital platform enabling banks to face digital challenges and competition.
- Scalable: up-to-date and future-proof solution for banks of all sizes.



RESEARCH AND DEVELOPMENT

Investment in innovation

The Temenos software investment approach forms a virtuous cycle in which our clients influence Temenos' investment and therefore benefit from the improved product. This in turn contributes to their success. Our clients then advocate for our solutions, enabling us to attract new clients, continuing the cycle.

Revolutionary investment in technology and architecture

In order to keep pace with the rapid rate of change in information technology, Temenos continues to invest significantly to ensure that its software takes advantage of the latest innovations. What is revolutionary at one point becomes standard in the following years and this approach ensure that our clients can continue to leverage the latest technology.

Evolutionary investment in banking functionality

Banking functionality changes more gradually than information technology, with evolutionary advances being made in banking products, industry practice and regulation. Temenos' investment in functionality over the past 29 years reflects this. We enable our existing clients to add new functionality to what they use already through regular updates, whilst also releasing the latest software for new clients.

We also actively invest in growing our country specific functionality. This enables banks to go-live quickly and to focus on the capabilities which will differentiate them from their competitors. It also provides Temenos with a clear differentiation in the market, successfully blending globally innovative banking capabilities with pre-configured regional and national solutions.

Respond to changing industry regulation and trends

Banking, being a highly regulated industry, is subject to the continuous changing of requirements by regulatory agencies. At Temenos, we actively follow changes in banking regulation to build relevant solutions into the software and support our clients who automatically receive updates with our continuous updates mechanism. This program runs on a global basis, allowing us and our clients to quickly respond to changing regulations at speed.

Responding to digital acceleration

We respond to the increasing drive towards digitization with new offerings to help banks and non-banks to service their customers better. Our AI and data analytics technology enable increasingly automated and personalized offers to be designed and rolled out. These same technologies help with operational efficiency and stability and have been increasingly embedded across all of our solutions. The introduction of micro-apps in our digital platform helps institutions to implement new personalized services via digital channels, fast. Cloud adoption has also accelerated, bringing the benefits of scalability, lower cost and increased reliability. We have also responded to new trends such as the rise of unsecured short-term lending and embedded finance, by delivering banking services such as Buy Now Pay Later on the Temenos Banking Cloud, to help rapidly respond to new growth opportunities.

Continuous operations

Temenos builds, deploys and tests software on a daily basis. We use this as the foundation for the continuous release of updates to clients, which are then accumulated into one annual maintenance release each year. All releases are cumulative, enabling clients to upgrade when they want. The upgrade process is designed to operate with minimal disruption to a bank's staff and customers.

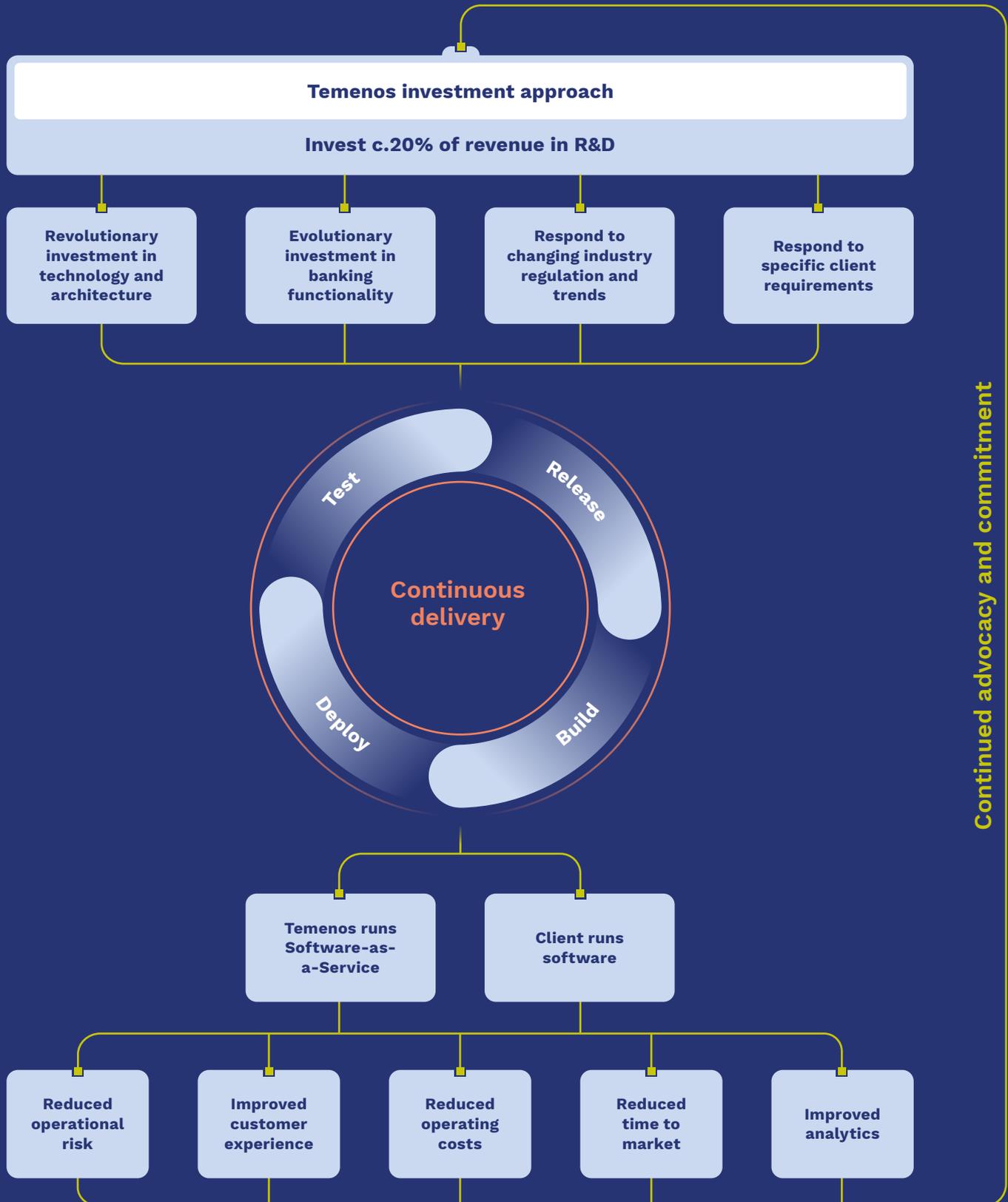


Strategic Report

RESEARCH AND DEVELOPMENT continued

The highest R&D spend in the industry

R&D at more than twice the level of our competitors plus deep domain knowledge means that our software never becomes legacy.





Investing more than our peers on R&D

Temenos has consistently invested over 20% of its revenues in R&D. This is more than twice the level of estimated investment made by our closest competitors. Furthermore, since we only produce software for banking and finance, all of this investment is targeted at our concentrated product portfolio.

Channeled continuously into product releases

Our software is fully packaged and upgradeable. We produce new software on a continuous basis which has traditionally been available on a monthly release cycle. This will continue to be available, together with an annual release, for clients which wish to consume our software on this basis. We also make our software available on a Continuous Deployment basis, with DevOps support, for banks to help them to shorten the innovation cycle. The increasing componentization of our solutions also creates the possibility of upgrading different elements at different frequencies, allowing for innovations to be more quickly adopted.

Core principles

Temenos has always produced software according to a set of core principles. We believe in reuse, openness and being agnostic about technology platforms. This means that all developments are made available to all clients. It also means giving our clients choice over which technology they run and never locking them into a particular provider. The openness means that third parties can develop on our platform to accelerate innovation, thus ensuring that our clients always have access to the best technology and functionality.

Proud record of innovation

Our philosophy is one of constant functional evolution delivered on innovative technology. We are proud of the record of innovation which we have established, being, for example, the first banking software vendor to run on open systems, the first to have a truly 24x7 platform, the first to run core banking software in the public cloud and the first to have all services exposed as REST APIs and domain microservices. Our cloud-native solutions continue to benefit from ongoing innovation, with particular focus currently on key areas such as Artificial Intelligence, DevOps processes to help our clients benefit from innovations more quickly and a growing catalog of Open APIs which enable faster and more easily maintained integration between our solutions and third party products and services, including those found in Temenos Exchange.

The Temenos Exchange

Driving innovation through a thriving fintech ecosystem

The Temenos Exchange is a collective engine of innovation. Customers need easy access to low-risk, pre-integrated solutions which not only address their fundamental needs, but also provide inspiration to continue to innovate and differentiate.

Temenos established the SCALE program to accelerate the cycle of innovation by opening up the exchange to add breadth and cover an increasingly broader set of functionalities and solutions. Through this program, Temenos is committed to enabling developers by providing a structured approach as they work through the stages to develop, validate and ultimately monetize their solutions. This allows fintechs, Partners and developers to quickly turn their ideas into reality and in turn to enable our clients to benefit from these solutions.

Additionally, we continue to focus on pre-integrating solutions by establishing a dedicated integration team which is building standard integrations that are architected to be robust, scalable, repeatable, pluggable and supported by packaged APIs and events.

Temenos developer community

Banking's largest collaborative community empowering the developer ecosystem

→ temenos.com/community/temenos-developer-community/

The Temenos developer community plays an essential role in enabling our customers, prospects and Partners with expert support, learning programs and a calendar of interactive events designed to help our members scale. Our rapidly growing Developer Community is united by a common desire to learn and innovate – a desire that we foster through our award-winning Base Camp community platform.

Through the sharing of knowledge and a focus on developer experience, we are empowering the developer community to constantly evolve and innovate and to leverage our market-leading technology to enhance the banking experience for our millions of end-users.



PARTNER FIRST DELIVERY

Collaboration to promote successful delivery

As the company behind “Everyone’s Banking Platform” and as the Global Leader of Banking Software, Temenos is reliant on its powerful Partner ecosystem to drive successful implementation and upgrade projects to allow our mutual clients to enjoy the benefits of using our latest industry-leading products. With the expertise of Temenos Services collaborating with Partners able to provide scale of both capacity and capability, the trend of successful go lives continued through 2022.

With even greater focus in 2022, Temenos continued to adopt a Partner First strategy. From a delivery perspective this means that clients are encouraged to contract directly with Partners to deliver implementation and upgrade projects with Temenos supporting both Customers and Partners by offering a suite of Packaged Services.

Having provided options with regard to suitable Partners, Temenos retains a critical role throughout the lifecycle of the project by delivering Governance to clients through the Temenos Project Consultancy Services (TPCS) and support to Partners from the Collaborative Implementation Offerings (CIO).

With the evolution of Temenos Products and Technologies, the Temenos Learning Community is continually updating the training content to ensure that Clients, Partners and Temenos consultants stay up to date with the latest version of our software. In addition to training and to complement the learning path for the delivery ecosystem, the Temenos Knowledge Center (TKC) was launched in September in 2022 as a platform to share knowledge and lessons learnt. This platform was initially rolled out internally and will be made available to Partners in 2023.

With the easing of Covid restriction in certain geographies in 2022, we have been able to spend more time with our clients and Partners.

2022 saw a return to a full calendar of events including the Temenos Community Form (TCF) which allowed clients, prospects, Partners and Temenos to meet in London, plus there has been an increased opportunity for Temenos to spend quality time with our Partners at the Temenos Kick Off (TKO) which includes the annual Partner day, the Developer Conference (Scale) and a series of regional events.

From a project perspective having moved from an on-site to a remote delivery model due to Covid-19, a number of the current projects are now adopting a hybrid approach blending the advantages of both on and offshore services for specific phases of the assignment.

Working in this collaborative manner has allowed Temenos and our Partners to take 346 clients live in 2022 including new and phased implementations plus a number of upgrade projects where existing customers are now enjoying the benefits of new functionality from the latest versions of Temenos software.



A strong Partner ecosystem making an impact

In 2022 the Temenos Partner Program has been relaunched and rebranded as the IMPACT Partner Program. Having previously offered three types of Partnerships (Services, Technology and Marketplace), the new IMPACT program now includes more and new relationships including Sales and Market Advisors as well as Delivery and Technology Partners and Exchange Members.

The 50 Delivery Partners in the IMPACT Program offer an overall practice of almost 8,000 Temenos skilled consultants and are highly focused at both the individual and organizational level. This provides our clients to have the choice of either global or regional Partners offering specialisms in both Temenos Solutions and specialist functions. To support this and to reflect the specific certifications offered to Partners, Temenos issues badges which can be used by Partners once accredited.

Temenos also launched a new Partner Portal as part of the rebranding of the Partner Program to IMPACT. The new portal provides Partners with access to Temenos content and collateral such as the latest documentation, methodologies, webinars and news articles, which in conjunction with the training, knowledge and Temenos governance, advisory and support services, provides all of the assets to support successful delivery so that together we can take more clients live in 2023.

Specialist Function	Migration	Temenos Certified Managed Migration Partner
	Upgrade	Temenos Certified Managed Upgrade Partner
	Cloud Implementation	Temenos Certified Cloud Implementation Partner
	Develop	Temenos Certified Development and Maintenance Partner
Solution	Transact	Temenos Certified Transact Partner
	Infinity	Temenos Certified Infinity Partner
	Wealth	Temenos Certified Wealth Partner
	Financial Inclusion	Temenos Certified Financial Inclusion Partner
	FCM	Temenos Certified Financial Crime Mitigation Partner
	Payments	Temenos Certified Payments Partner
	Data and Analytics	Temenos Certified Data and Analytics Partner
Regional	Global	Temenos Certified Global Partner
	North America	Temenos Certified Partner for North America
	Latin America	Temenos Certified Partner for Latin America
	Europe	Temenos Certified Partner for Europe
	MEA	Temenos Certified Partner for Middle East and Africa
	APAC	Temenos Certified Partner for Asia and the Pacific



Strategic Report

PARTNER FIRST DELIVERY continued

The focus for Temenos services

The Temenos Services division comprises expert resources able to offer governance to our clients, support services to our Partners and provide a rich catalog of productized services for our implementing, upgrading and post-live customers.

Experienced Project Managers and Expert Consultants available via Temenos Services are primarily focused on supporting Partner Primed projects by offering Temenos Project Consulting Service (TPCS) governance to our mutual clients and also Collaborative Implementation Offerings (CIO) to ensure our Partners have the capability and capacity to deliver successful implementation and upgrade projects to Temenos customers.

The TPCS service is provided to clients for projects focused on exploitation of Temenos products – usually implementation or upgrade projects. It consists of cost-effective, part-time advisory involvement of an experienced Temenos Consultant in Project Management and a Client Architect, covering all of the Temenos products. The service has been designed for clients that choose a Temenos partner for the delivery of their project.

The scope of the service includes an initial review and regular subsequent project reviews, as well as regular involvement in key project governance processes such as risk and issue management and architecture design decisions.

The past year has been a period of significant progress for our implementation Partners, as we have continued to focus on delivering a Collaborative Implementation Offering (CIO) in line with our Partner First strategy. Our goal has been to provide our Partners with the support and resources they need to succeed in the rapidly evolving market.

We have worked closely with our Partners to understand their needs and refreshed CIO. The results of our efforts have been impressive. We have seen a significant increase in Partner satisfaction, as well as a reduction in project completion times and a corresponding increase in efficiency. Our Partners have also benefited from the changes, with many reporting that they have been able to achieve higher levels of success with their projects.

To support our live clients, Temenos has been successfully delivering a range of productized services, especially the suite of upgrade assessments. The assessments provide documented recommendations following a review performed by Temenos Experts for clients planning an upgrade. These assessments cover the potential need for database conversion, a review of localizations and the transition to the latest technology.

Many clients have successfully upgraded to the latest Temenos releases following a project typically performed by Certified Managed Upgrade Partners following the recommendations made.

For customers looking to move to the Temenos Banking Cloud, a SaaS Readiness Assessment service has been developed and successfully delivered.



Implementation excellence for world class cloud services

In 2021 we launched the Temenos Banking Cloud, as the next generation of Temenos' SaaS offering. The Temenos Banking Cloud builds on our existing SaaS service offering, which continued to grow in 2022. We see continued interest and growth in this area and are using this platform to deliver new composable banking services that can be taken directly from our service catalog, configured and launched in record time.



The Temenos Banking Cloud supports our clients and prospects through exploration of Temenos Banking Services through access to sandboxes and rich content to help them understand the business value and fit. Clients can configure and extend our services through the launch of new design time tools and frameworks to adapt services to meet client specific needs. A new self service portal provides automated release management and business and technical insights into service usage that can be used to launch and evolve services to meet changing customer needs. Integration of Temenos Exchange and our extensive Partner network allows clients to consume additional third party capabilities and our Partners to develop new capabilities through a collaborate and sell model.

In 2022 we updated the certification process to cover new Temenos Banking Cloud and service capabilities, enabling us to bring more Partners through the program.

We continue to see developments in the regulatory environment, including a focus on resilience and service continuity. In 2022, we renewed our partnership with AWS and have been working closely with them to ensure our services can be provided equally across AWS and Microsoft Azure.



Strategic Report

PARTNER FIRST DELIVERY continued

Temenos learning community

In 2017, the Temenos Learning Community (TLC) was established to address the increasing training demands of Temenos professionals. We met that challenge by making the process of knowledge transfer easier, faster and more cost-effective for our clients and Partners. In 2022, TLC continued its growth, through the continued advancement of our three primary products: TLC Online, TLC Engine and TLC Classroom. TLC was confirmed once more as the number one provider of Temenos product training for employees, Partners and clients.

TLC Online

TLC Online is a cloud-based, online platform offering hundreds of training modules that are available on a 24/7 basis. TLC Online has become the most popular form of product training for Temenosians, clients, Partners and Independent Consultants. Subscribers enjoy access to the latest product content, practice sandboxes and pre-defined learning pathways. TLC Online provides the training and roadmap to achieve the industry-recognized Temenos Certification.

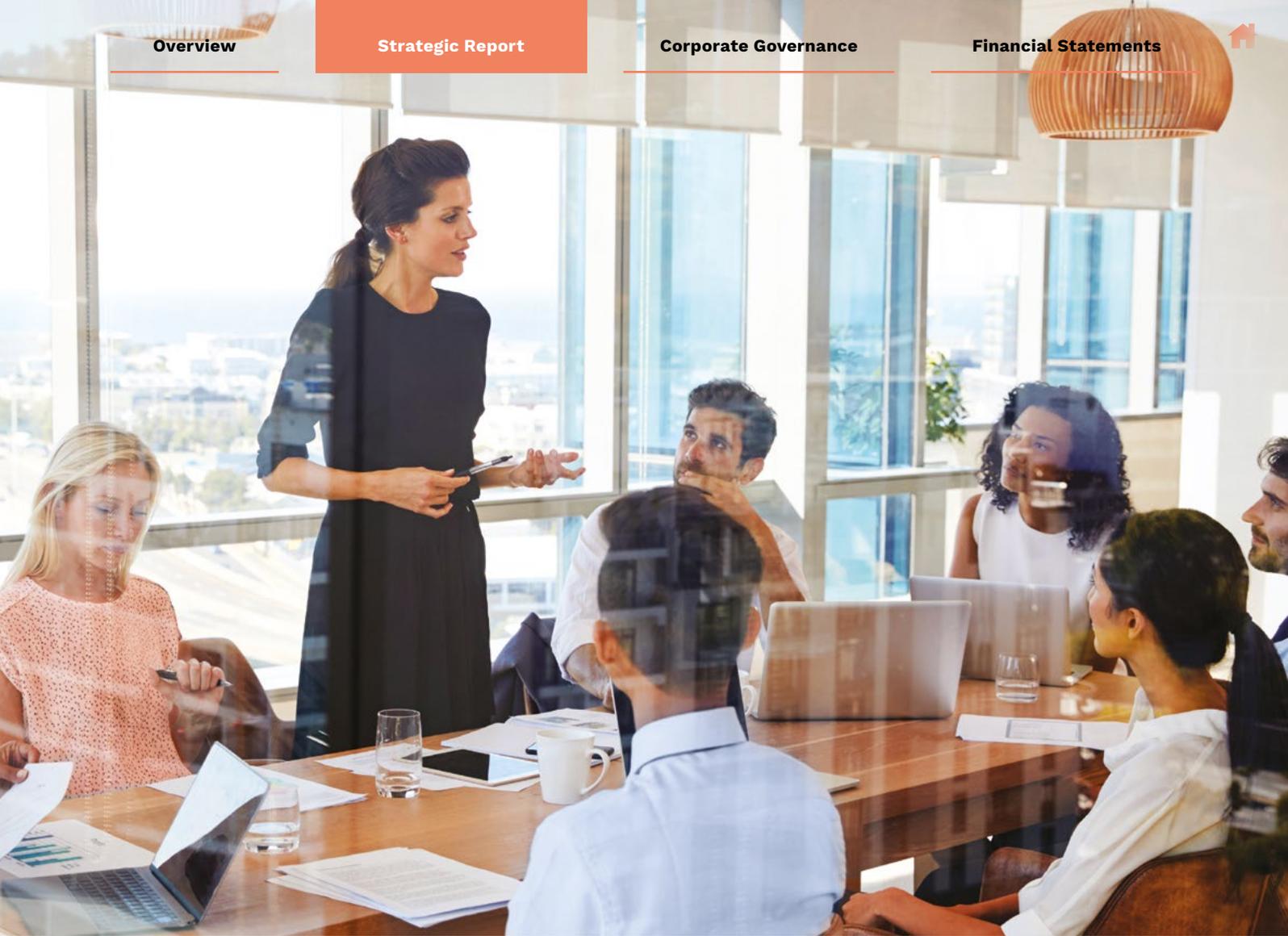
In 2022, TLC Online continued to grow and the number of paying subscribers increased by 20% over the previous year; reaching almost 5,000 paying members. At the same time, the number of people who held a Temenos certification grew by almost the same amount, 36% year over year, and now approximately 4,600 people, who are part of Temenos external ecosystem, hold at least the minimum level of certification recognized by Temenos. At the end of 2020, a new organizational certification linked to pre-defined pathways was launched, with the intent to help Partners to better differentiate themselves.

TLC Engine

TLC Engine is a turnkey digital tool allowing clients to train, test and certify their employees on an ongoing basis. Available on on-premises basis or as an SaaS solution, TLC Engine brings a process-led learning solution that delivers the ability for our clients to integrate their own unique operating processes with recorded screen simulations, tutorial sessions and Temenos product training (including all manual and system processes related to non-Temenos products). TLC Engine is also a comprehensive day-to-day operational tool supporting business process mapping.

In 2022, a new version of TLC Engine was launched with improved capability in the area of process mapping and support to process-led workshops.





TLC Classroom

This is the natural evolution of our traditional offering consisting of instructor-led training, tailored to a client's specific needs, either in a physical or remote classroom environment. To ensure that the correct level and type of training are identified, TLC Classroom includes two additional services via Training Needs Analysis (TNA) and Bespoke Training, respectively.

In 2022, TLC maintained the expanded investment for timely updates of our courses, now all the courses are refreshed every three months to maintain them current with the information related to the latest release of Temenos software. At the same time, the investment to produce new training content was re-confirmed and successfully tracked to our training roadmap.

TLC Classroom remains a popular product with Temenos clients and Partners. In 2022, although the travel restrictions related to Covid-19 were mostly removed, remote delivery remained a very popular choice with our Partners and customers. Overall TLC delivered more than 1,100 Classroom training days and all this was accomplished while maintaining our high standards and with positive feedback from Classroom participants.



SUSTAINABILITY

Andreas Andreades

Executive Chairman and acting CEO

Message from the Executive Chairman and acting CEO

Introduction

- 32** Message from the Executive Chairman and acting CEO
- 34** Innovating with purpose
- 35** Our achievements
- 36** Progress and targets
- 37** Our ESG approach
- 38** ESG materiality assessment
- 40** Goals and targets
- 43** Sustainability governance

Our sustainability approach

- 44** Achieving Business Excellence
- 49** Operating Responsibly
- 59** Caring for the Planet
- 74** Investing in Our People
- 97** Empowering Local Economies and Communities

Appendix

- 108** About this report
- 110** Independent Limited Assurance Report
- 112** Stakeholder groups
- 114** Contribution to the UN Sustainable Development Goals
- 116** UN Global Compact Index
- 117** GRI content index
- 124** International standards and certifications



At Temenos, for 29 years, we have been creating sustainable value for all our stakeholders. And as banking and the world continues to undergo fundamental change and disruption, our commitment remains stronger than ever.

Undoubtedly, 2022 was once again a reminder that no one -individual, business, government, or society- can tackle the greatest challenges of our time alone. A change is needed; to rethink our priorities, to choose our partners wisely and shape new paths. And for that, the right choice of partnerships as well as the power of technology play a key role in finding solutions to our global challenges and helping us navigate through change and disruption.

ESG has become a major priority for our clients. This priority is shared by their customers and investors. Due diligence and compliance requirements, rising environmental regulations, cost savings and other financial benefits that come from operational efficiencies tied to sustainability are driving ESG forward. In that context, our clients and their customers expect the organizations they partner with to share their approach.

We see that ESG will keep many CEOs busy in 2023, as organizations look to enhance IT and operational efficiency and comply with regulations. While ESG and sustainability officers have spearheaded sustainability efforts in the past, now the focus has shifted over to the C-suite and moved beyond the philanthropy and green-washing effect, to a business-as-usual approach that makes business sense as it drives long-term value and business resilience.

So, our focus on sustainable value for all is not just the right thing to do, it makes clear business sense, as an integral part of how we conduct our business and navigate this world of change.

Our commitment begins with our strong and inclusive team of committed, diverse Temenosians. Our differences are our strengths and the basis of our working model since our 1st day of operation 29 years ago. Diversity is in our DNA, a team of 87 nationalities in 59 offices across 39 countries. We are diverse and inclusive, while reflecting our diverse client community of 3,000 banks in 150 countries globally.

Managing our own operations ethically and responsibly is the only way forward. We have a strong corporate governance and risk and ethics framework in place. We have set science-based targets to reduce our GHG emissions by 2030 and remain aligned with the Paris Agreement.

The backbone of the sustainable value we create for all our stakeholders is our product offering. Our technology helps our clients transform into smart, inclusive, and sustainable organizations. At Temenos, ESG by design is a core principle of how we build technology with tangible benefits for our clients: energy & cost efficiency, financial inclusion, transparency, risk mitigation and accountable governance. Our leaner, greener code means our latest software release is now 32% more carbon efficient than before.

We also see a major opportunity through the fundamental trend in our business towards SaaS and cloud adoption. Banks running on the Temenos Banking Cloud, powered by hyperscalers such as Microsoft Azure and AWS, create 95% carbon emission savings compared to on premise IT infrastructures.

I am very proud of our ESG performance and the recognition we have gained as the leader in ESG in the IT industry by S&P, Dow Jones Sustainability Index, FTSE4Good, MSCI, ISS, Sustainalytics, CDP, EcoVadis and the SXI Switzerland Sustainability Index. Our 2022 Sustainability Report details our progress and reflects our goal to grow our business in a way that takes care of the world around us, delivering value to anyone associated with us.

Operating in this way makes clear business sense and is good for our stakeholders and our society. That's why it has been fundamental to our success for the past three decades. I am excited by what it will drive us to achieve next.

2023 marks our 30th anniversary, which we will celebrate together with our clients, partners, and people across the world. Three decades ago, Temenos was set out to redefine banking software and in doing so, forever changed the way banking works today. The forward-looking vision, pioneering spirit, innovative thinking and strong drive of our people set the foundation for our success today, as we are shaping the banking world and driving positive change with sustainable value to 1.2 billion people globally and our planet- something that has never been more relevant or important than today.

Andreas Andreades
Executive Chairman and acting CEO



Strategic Report

SUSTAINABILITY continued

Innovating with purpose

Our priority areas

For 29 years, our commitments have guided the way we operate internally, innovate and deliver on our business mission. Our corporate responsibility and sustainability strategy focuses on mitigating risks and creating value across priority environmental, social and governance (ESG) areas towards five directions:

<p>1</p>	<p>Achieving Business Excellence</p> <p>We innovate with purpose, championing client-centered design and support, outstanding business practices and long-term sustainable value.</p> <hr/> <p>→ Read more on page 44</p>	<p>SDGs</p> 
<p>2</p>	<p>Operating Responsibly</p> <p>We steward stakeholder trust by taking responsibility for our business ethics, procurement and security.</p> <hr/> <p>→ Read more on page 49</p>	<p>SDGs</p> 
<p>3</p>	<p>Caring for the Planet</p> <p>We commit to aligning our business with the vision of a net-zero world by collaborating with our stakeholders across the value chain.</p> <hr/> <p>→ Read more on page 59</p>	<p>SDGs</p> 
<p>4</p>	<p>Investing in Our People</p> <p>We strive to create an open, fair, equal-opportunity and honest work environment for our people and for the people who we impact through our work.</p> <hr/> <p>→ Read more on page 74</p>	<p>SDGs</p> 
<p>5</p>	<p>Empowering Local Economies and Communities</p> <p>We contribute to a more inclusive world by investing in our local communities, while providing equitable and affordable financial services to all.</p> <hr/> <p>→ Read more on page 97</p>	<p>SDGs</p> 



Our achievements

Our endorsements

World Economic Forum (WEF)
Member

UN Global Compact (UNGC)
Participant

Global Compact Network Switzerland
Member

Our achievements

Top 25 Swiss stocks
SXI Switzerland Sustainability 25^o Index

Top score in the SOF category globally
Dow Jones Sustainability Index World & Europe

3x S&P Global Sustainability Award Winner
2023 S&P Global Gold Class with Top 1% Global ESG Score

Top 10%
FTSE4Good Index

Highest rating
CDP Leadership (A/A-)

Highest rating
MSCI AAA rating

Highest rating
ISS E&S Disclosure QualityScore

PRIME status
ISS ESG

Top performer
Bloomberg Gender Equality Index

Top 1%
EcoVadis Platinum medal

Top rated
Sustainalytics

Top 20%
Vigeo Eiris

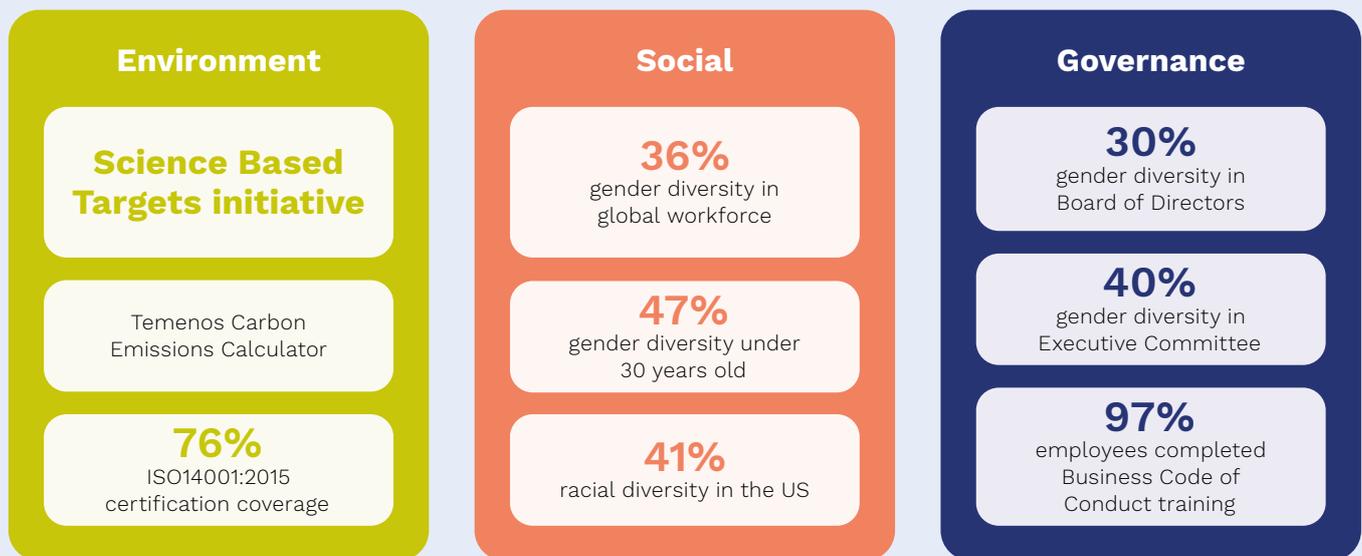


Strategic Report

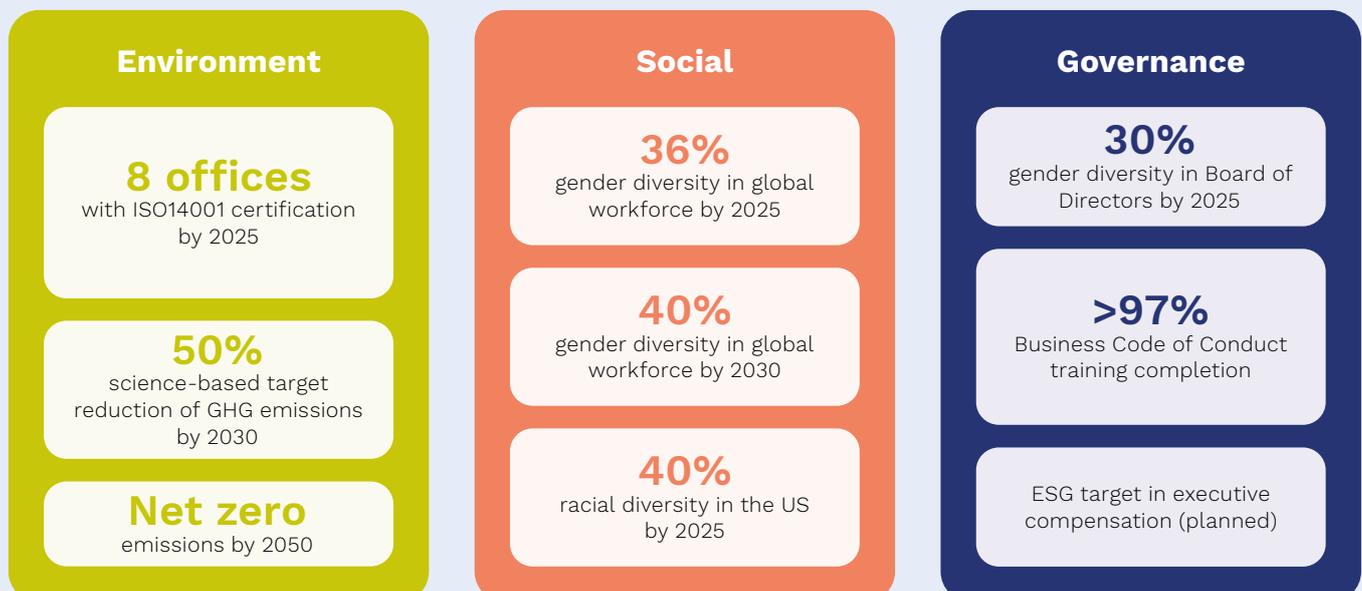
SUSTAINABILITY continued

Progress and targets

2022 progress



Targets





Our ESG approach

Our mission: making banking better, together

Founded in 1993, we serve 3,000 banks from the largest to challengers and community banks in 150+ countries by helping them build new banking services and state-of-the-art customer experiences.

Our vision: Everyone's Banking Platform

Our purpose is to power a world of banking that creates opportunities for everyone.

Our culture: Temenosity

Our culture of Temenosity guides the way we work. A culture that encourages all of us to **challenge** convention and **commit** to everything we do to make banking better. A culture that enables us to **collaborate** with our community and truly **care** about the people we serve and the impact of our business.

Our commitments

Operating responsibly is in our DNA, part of our Temenos culture. We strongly believe that our long-term success requires a sustainable business model that incorporates responsibility as an important part of our business operation. Temenos is committed to achieving business excellence and long-term value through superior financial performance while operating responsibly and with integrity, honoring ethical values and respecting its stakeholders, communities and the environment.

Integrating ESG into our operations and product offering

WHAT IT MEANS TO US:

Helping our clients transform into smart, inclusive and sustainable organizations

Managing our operations ethically and responsibly

Contributing to global social and environmental initiatives



OUR GOAL

To grow our business in a way that takes care of the world around us, delivering value to anyone associated with us



Strategic Report

SUSTAINABILITY continued

ESG materiality assessment

Stakeholder engagement

Stakeholder groups	Priority areas
 Employees Frequency: daily	Investing in Our People Empowering Local Economies and Communities Caring for the Planet
 Clients Frequency: daily	Achieving Business Excellence Operating Responsibly Caring for the Planet
 Investors – research analysts Frequency: weekly	All priority areas
 Suppliers and Partners Frequency: daily	Operating Responsibly Caring for the Planet
 Local communities and NGOs Frequency: monthly	Empowering Local Economies and Communities
 Academic community Frequency: daily	Investing in Our People Empowering Local Economies and Communities
 Media and industry analysts Frequency: daily	All priority areas

Engaging with our key stakeholders informs our decision making, strengthens our relationships and helps us deliver on our commitments and succeed as a business. In order to achieve our goals, we recognize that we need to work in partnership with those stakeholders who share our commitment and support our targets.

We believe that regular, open and transparent communication with our stakeholders is the most effective way to assess the impact of our operations and our performance as a corporate citizen. That is why we have integrated ESG considerations into our dialog with our stakeholders, drawing upon international frameworks such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the GRI and SASB Standards and the Dow Jones Sustainability Index.

To achieve our goals, we work with our stakeholders:

- to identify the material global economic, environmental and social impacts on Temenos; and
- the impact that Temenos has on the world.

This notion of double materiality informs our decision making, strengthens our relationships with our stakeholders, helps us deliver on our commitments and ultimately succeed as a business.

→ To read more on how we engage with our stakeholders and what are their key concerns, please refer to the Appendix section.

With our stakeholders' best interests in mind, we take every step to be as open and forthcoming as possible with data.

Temenos conducts frequent ESG materiality assessments with input from experts across the organization and within ESG governing bodies to identify key ESG topics, opportunities and risks associated with them. These assessments allow us to enhance our understanding of issues that require our attention, adopt a more dynamic approach and improve our long-term economic, environmental and social performance.

In this Sustainability Report, a double materiality assessment has been conducted to identify, analyze and prioritize the issues that matter most to Temenos. The assessment and prioritization process has been developed according to the requirements of the following: the Corporate Sustainability Reporting Directive (CSRD) of the European Union, the Global Reporting Initiative (GRI) Universal Standards, the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosures (TCFD) and the Ten Principles of the UN Global Compact (UNGC) dimensions analysis and ranking. Furthermore, the requirements of the upcoming European Sustainability Standards (EFRAG ESRS) have been taken into consideration.

This notion of double materiality informs our decision making, strengthens our relationships with our stakeholders, helps us deliver on our commitments and ultimately helps us succeed as a business.



Scoring and evaluation

We refreshed our list of material topics based on a comprehensive review of internal and external sources. We incorporate the feedback we receive from our clients through RFPs and supplier assessments and from our investors through engagement calls and meetings we have throughout the year. We also incorporate the areas against which we are rated and scored in ESG ratings and indices, such as the Dow Jones Sustainability Index, FTSE4Good, MSCI, ISS, EcoVadis, Sustainalytics, Vigeo Eiris, Bloomberg Equality Index and CDP, among others.

Engaging with our stakeholders is helping us:

- define our ESG focus areas;
- incorporate them into our corporate strategy;
- set targets; and
- document the progress in the Temenos Annual Report.

The double materiality methodology used four steps to carry out the assessment.

These include:

- identification and understanding of material issues based on a comprehensive examination of the industry (i.e. MSCI), the relevant guidelines (i.e. GRI, SASB), the upcoming laws and regulations (i.e. CSRD), as well as monitoring the sector/ industry trends and best practices;
- integration of stakeholders’ perspectives on the analyzed and assessed issues;
- evaluating and ranking these issues based on their social and environmental impact, while also ensuring alignment with the Company’s strategic approach and priorities; and
- evaluating and ranking the material issues according to their financial impact on the Company’s value.

Results

We identified 16 topics that are essential to Temenos and validate the alignment of our current strategic ESG priorities with the expectations of our stakeholders. These issues are interconnected and impacts on one can have significant effects on others.

MATERIALITY ANALYSIS MATRIX

The following main material issues per priority strategic area have been identified:



● Outside Temenos ◌ Within and outside Temenos ○ Within Temenos

Note: For all of the issues discussed in this report, the data covers all Temenos operations globally, except where otherwise noted.

Key

Achieving Business Excellence

- 1 Sustainable Business Performance
- 2 Client Satisfaction and Engagement
- 3 Business Continuity
- 4 Technology and Product Innovation

Operating Responsibly

- 5 Ethical Business Conduct and Sound Corporate Governance
- 6 Information Security, Cybersecurity and Data Privacy
- 7 Responsible Procurement

Caring for the Planet

- 8 Environmental Management and Awareness
- 9 Energy Efficiency and Carbon Footprint
- 10 Climate Change and Related Risks

Investing in Our People

- 11 Diversity, Equality and Inclusion
- 12 Talent Attraction and Retention
- 13 Employee Wellbeing and Development
- 14 Human Rights

Empowering Our Local Economies and Communities

- 15 Financial Inclusion
- 16 Community Investment and Employee Volunteering



Strategic Report

SUSTAINABILITY continued

Goals and targets

Operating Responsibly

Ethical Business Conduct and Governance

Indicator	2020	2021	2022	2025 target
Percentage of completion of Ethical Business Code of Conduct and mandatory trainings compliance	99.8%	97.5%	97.3%	>97%

Responsible Procurement

Indicator	2020	2021	2022	2025 target
Sustainability assessment as part of the qualification and annual performance and risk assessment implemented to all focus categories of suppliers	81%	100%	100%	100%
Percentage of new or renewed focus categories of suppliers, providing goods or services with Supplier Code of Conduct applicable clause	31%	100%	100%	100%
Sustainable procurement to be included as part of all staff induction program	—	100%	100%	100%
Ensure the internal sustainable procurement policy is reviewed regularly as part of the CSR strategy	—	100%	100%	100%
Sustainability assessment for most supplier categories	—	84%	80%	100%
Supplier engagement program in place, promoting continual sustainability improvement and CSR audits if required	—	13%	13%	100%

Achieving Business Excellence

Client Engagement

Indicator	2020	2021	2022	2025 target
Client Voice: number of participants from our clients compared to 2016 baseline (4,000)	8,800	10,007	11,826	12,000
Improve client satisfaction: percentage points in the Net Promoter Score, since the metric was launched	+50p	+26pp	+33pp	+55p



Caring for the Planet

Environmental Management and Awareness

Indicator	2020	2021	2022	2025 target
Roll out EMS to additional locations and increase the ISO14001:2015 certification coverage	6 offices	6 offices	7 offices¹	8 offices
Increase global waste diversion from landfill	—	75%	78%	80%
Percentage of per capita water consumption for certified ISO14001 offices, compared to 2018 baseline (first certification) reduction	—	—	74%	75%
Organize sustainable events	1 event	No physical event due to Covid-19 restrictions	1 event	4 events

1 We have implemented an ISO14001:2015-certified EMS in our seven biggest offices: four in India (2022: Hyderabad office), one in Romania, one in Luxembourg and one in the UK.

Energy Efficiency and Carbon Footprint

Indicator	2020	2021	2022	2025 target	2030 target
Percentage of per capita energy consumption for certified ISO14001 offices, compared to 2018 baseline (first certification) reduction	13%	35%	45%	50% ²	
Percentage of annual sourcing of renewable electricity use in Temenos internal operations (offices and owned Data Centers)	4.2%	4.4%	18.2%	80%	100%

2 Target was re-evaluated after ISO14001 certification of Hyderabad offices in 2022.

Climate Change and Related Risks: Business Ambition for 1.5°C

Indicator	2020	2021	2022	2025 target	2030 target
Get validation of Science Based Targets initiative (SBTi) for the reduction of GHG emissions	—	Target for FY-22	Official validation		
SBTi target: Percentage of absolute Scope 1 and 2 GHG emissions reduction, compared to 2019 baseline	—	13.5%	17.7%	25.2%	50%
SBTi target: Percentage of absolute Scope 1, 2 and 3 GHG emissions reduction, compared to 2019 baseline ³	—	—	1.7%	25.2%	50%

3 The target is covering 68.6% of Scope 3 emissions, in line with the SBTi criteria. Please refer to Energy efficiency and carbon footprint section.

 Indicates target achieved



Strategic Report

SUSTAINABILITY continued

Goals and targets continued

Investing in Our People

Gender Diversity

Indicator ⁴	2020	2021	2022	2025 target	2030 target
Women in the Temenos total headcount	34%	35%	36%	36%	40%
Women in all management positions, including junior, middle and senior management (as % of total management workforce)	26%	33%	33%		
Women in junior management positions, i.e. first level of management (as % of total junior management positions)	33%	41%	44%		
Women in top management positions, one level away from the CEO or comparable positions (as % of total top management positions)	43%	40%	43%		
Women in top management positions, two levels away from the CEO or comparable positions (as % of total top management positions)	29%	30%	29%		
Women in management positions in revenue-generating functions (e.g. sales) as % of all such managers (i.e. excluding support functions such as HR, IT, Legal, etc.)	28%	28%	28%		
Women in STEM-related positions (as % of total STEM positions)	34%	35%	35%		

4. To have a consistent increase of at least 1% across all areas.

Racial Diversity

Indicator	2020	2021	2022	2025 target
Asian, Black or African American, Hispanic or Latino, or other races/ethnicities in the US total headcount	—	38.5%	41.0%	40.0%

Investing in Our Communities

Digital Inclusion and Innovation

Indicator	2020	2021	2022	2025 target	Revised 2025 target*
Number of students reached/benefited through the Adopt-iT CSR India program, since the program was launched	10,200	19,200	34,347	20,000	50,000

* Due to target achievement.

Volunteering and Community Service

Indicator	2020	2021	2022	2025 target	Revised 2025 target*
Percentage of volunteers (% of the total headcount of the year)	10.5%	9.1%	16.6%	10%	15%

* Due to target achievement.

Employee Fundraising and Corporate Matching

Indicator	2020	2021	2022	2025 target
Percentage of India employees' funds raised and Company matched – Adopt a Kid since program launch	0%	38%	73%	100%

■ Indicates target achieved



Sustainability governance



1. Board of Directors

- Chaired by the Executive Chairman
- Approves the strategy of the Group
- Appoints and oversees the members of the Executive Committee
- The Executive Chairman, Mr Andreades, is acting as the Board executive sponsor for ESG matters

→ See page 142 for more details on the Board of Directors

2. Nomination & ESG Committee

- Through the Nomination & ESG Committee the members of the Board of Directors have the Board oversight for the Company's ESG, Sustainability, Climate and Ethics Framework
- Reviews the structure, size and composition of the Board of Directors
- Establishes the qualification criteria for Board of Directors membership
- Considers the strategy and targets for the sustainability, climate and CSR strategy ("ESG matters") set by the Executive Chairman and acting CEO, monitors progress and achievements, oversees ESG and climate reporting, stays abreast of trends in ESG matters and reports accordingly to the Board

Membership

- Ian Cookson (Chairman of the Committee)
- Andreas Andreades (Member)
- Erik Hansen (Member)
- Maurizio Carli (Member)
- Deborah Forster (Member)
- Cecilia Hultén (Member)

Note: This framework refers solely to our sustainability governance.

→ To read more on our corporate governance model, please refer to Corporate Governance section.

3. CSR & Ethics Committee

- Temenos' ESG, sustainability and climate strategy is designed and led by the Corporate Social Responsibility and Ethics Committee at the senior management level
- Reports to the Board of Directors through the Nomination & ESG Committee
- Represents different Temenos functions and departments, ensuring all the voices of internal and external stakeholders are taken into account
- The Committee meets quarterly; quorum is required for actions to be taken. Written minutes are kept and maintained by the Committee Secretary for all formal meetings of the Committee and are communicated to the external statutory auditor
- In 2022, the Committee held four meetings

Membership

- Chief Executive Officer (Chairman of the Committee)
- Chief Legal Officer (Deputy Chairperson of the Committee)
- Chief Marketing and ESG Officer (Secretary)
- Chief People Officer
- Chief Information and Security Officer
- Group Financial Controller
- Chief Risk Officer
- Group Head of Internal Audit
- Chief Strategy Officer

4. Chief Marketing and ESG Officer

Responsible for managing the Group strategy, interacting with stakeholders and driving the CSR, sustainability and climate policies, programs and report.



Strategic Report

SUSTAINABILITY continued

1 Achieving Business Excellence

We are committed to contributing to the global efforts to address social and environmental issues. Financial technology and digital finance can advance sustainable development and accelerate the achievement of global environmental and social goals. So, at Temenos, we innovate with purpose and our products have a positive environmental and social impact. In that way, we are contributing to the global effort to achieve the UN SDGs.

Business performance

Economic impact

Economic impact for Temenos means achieving our medium-term growth targets to generate long-term sustainable value for all of our stakeholders and contributing to the global economy as well as the local economies where our clients conduct their business.

In 2022, non-IFRS total software licensing remained constant in comparison to 2021 and non-IFRS total revenues increased by 1%. We have achieved full year EBIT of USD 272.4 million with a non-IFRS EBIT margin of 28.7%. Long-term profit and cash flow strength support a proposed dividend of CHF 1.10, a 10% annual increase. Leverage increased to 2.0x at year end, up from 1.8x in 2021, and we have generated USD 317 million of operating cash flow in 2022.

Geographical outcomes

The total monetary value of financial assistance received by Temenos from governments during 2022 was as follows:

Europe

Romania: Temenos Romania benefits from an income tax exemption for employees in software creation-related roles. The amount of the exemption for 2022 was USD 366,962 (2021: USD 333,972). In addition, there is also a reduction of 20% of the annual corporate tax if this is redirected to charity. The 20% reduction of the annual corporate tax redirected to philanthropic donations by Romania in 2022 was USD 21,630 (2021: USD 48,684).

Asia

Singapore: Under Singapore's Central provident fund transition offset, job growth incentive and wage credit schemes, Temenos claimed USD 30,258 in 2022 (2021: USD 11,140).

For more information, please refer to the Annual Report: Financial and Operational Highlights sections.

Technology and product innovation

Innovation and technology

In order to keep pace with the rapid rate of change in information technology, Temenos has a long history of investing in its products. This has ensured our position as the leading solution in our sector and, together with the upgradability, means that clients can continue to enjoy the benefits of our industry-leading investment in the future. Temenos has consistently invested over 20% of its revenues in R&D.

The R&D spent inclusive of overhead allocations for 2022 was USD 279.8 million. This is more than twice the level of investment made by our closest competitors. Furthermore, since we only produce software for banking and finance, all of this investment is targeted at our concentrated product portfolio. For more information, please refer to the Annual Report: Research and Development section.

Environmental and social impact of product portfolio

Category	USD m	% of total revenue
Cloud/SaaS	163.7	17.23%
FCM	0.8	0.08%
Inclusive Banking	7.0	0.74%
TLC	7.1	0.75%

	FY-22 USD 000	FY-21 USD 000
Economic contribution to various stakeholders		
Revenue	949,628	967,002
Employee wages and benefits	464,905	434,911
Payment to provider of funds	603,378	421,953
Payment to government	26,048	24,745
Community investment (monetary donations only)	453	417

→ To read more on our financial performance, please refer to the Financial Statements section.



We innovate with purpose, championing client-centered design and support, outstanding business practices and long-term sustainable value."

Contributing to the UN SDGs



USD 2.8bn

Cumulative R&D investment 1990–2022



Case study

Banking can harness cloud technology to hit net zero. Here's how

- As heavy data users, banks can use cloud technology to reduce emissions.
- The public cloud model is more energy-efficient than banks running their own data centers.
- Measuring emissions is increasingly a legal as well as a moral imperative.

The role of the cloud in net-zero commitments

At Temenos, we recognize how central ESG has become to banks' strategies. The banking sector has set bold and ambitious targets to reach net zero. Even the largest banks are recognizing that reducing carbon must sit at the very top of their agendas. In a fiercely competitive market, cloud and the SaaS platforms that run on it, offer unprecedented innovation, agility and speed, all with maximum financial and carbon efficiency. Our cloud-native SaaS offering, the Temenos Banking Cloud, incorporates ESG as a service to help banks gain carbon insights from using our products and to track their progress towards reaching their sustainability targets.

It also runs on public cloud infrastructure and the hyperscalers we partner with have all made strong commitments to sustainability goals and using 100% renewable energy. All these energy efficiencies are passed onto our clients.

To read more on how Temenos Banking Cloud is a true climate-related opportunity, please refer to:

- [World Economic Forum: Banking can harness cloud technology to hit net zero](#)
- [Computer Weekly: Cloud Platform for greener banking](#)
- [Information Week: Cloud monitoring tools help CIOs reduce carbon footprint](#)

Success client stories

Flowe

One bank that has seized on the opportunities of cloud & SaaS is Flowe, an Italian bank built on green principles. Flowe is the first bank in Italy to be certified as a B-Corp (a certification for social and environmental performance) and is also carbon-neutral. Using our Temenos Banking Cloud powered by Microsoft Azure, the Bank has been able to measure emissions that are between 95-98% less than the on-premise alternative. Since launching in 2020, it is closing in on 1 million environmentally conscious customers.

Kalliopi Chioti, Chief ESG Officer, Temenos & Ivan Mazzoleni, CEO, Flowe, speak at TCF 2022 about Flowe being the first bank in Italy to be certified as a B-Corp and carbon-neutral, how they've managed to be faster, leaner, and greener through Temenos' open platform, and how banks can marry sustainability and commercial viability.

→ [Read more here: Temenos Banking Cloud and Flowe - Success Story](#)

EQ Bank

Similarly, EQ bank has set the standard for responsible, low-carbon banking in Canada. It was named "Canada's Best Bank" in 2021 and 2022 by Forbes Magazine. EQ Bank is the first Schedule I bank in Canada to measure and disclose entire Scope 1, 2, and 3 emissions. An important component in the progress of the bank's ESG program has been its collaboration with Temenos, and its use of the Temenos Banking Cloud running on Microsoft Azure. The use of the Temenos Banking Cloud, rather than on-premise infrastructure, enabled a 93.53 to 97.05% reduction in emissions. This highlights the capacity of Temenos and Microsoft to share data through the Temenos carbon calculator, which have helped the Bank calculate their scope 3 emissions with accuracy. The Bank also achieved carbon neutrality for their scope 1 and 2 emissions, setting the agenda for sustainable banking disclosure in the sector.

→ [Read more here: Temenos Banking Cloud and EQ Bank - Success Story](#)

Enabled by #SaaS and #Cloud technology, #banks can reduce energy and #emissions by more than 90% compared with #onprem solutions. In this panel discussion during TCF2022, Kalliopi Chioti, our Chief #ESG Officer, spoke with the CEO of Flowe Ivan Mazzoleni, President and CEO of EQ Bank Andrew Moor, and Patrice Amann, Microsoft's Senior Director Financial Services Business Lead EMEA, about how banks have built their proposition around #sustainability.



Strategic Report

SUSTAINABILITY continued

Achieving Business Excellence continued

Case study

Cut, evidence, empower: how technology can help banks deliver on COP27 commitments



In November 2022, Temenos participated in the COP27, alongside our technology partner Microsoft, to showcase the opportunity cloud technology presents in banking, both as a means to digitally transform and make measurable progress on climate action. The banking sector has set bold and ambitious targets to reach net-zero. The prominence of the UK's Bankers for Net Zero at COP27 made it clear that even the largest banks are recognizing that reducing carbon must sit at the very top of their agendas.

Kalliopi Chioti, Chief ESG and Marketing Officer: "The tone of COP27 could not have been clearer. This is a moment for urgency, the time to collaborate with all our stakeholders across the entire value chain and to turn pledges and commitments into action."

One of the great opportunities to do this is the migration to cloud technology. Microsoft estimates that businesses using their cloud infrastructure generate up to 98% lower carbon emissions than operating their own. This is backed up by data from IDC that suggests cloud computing is capable of reducing over 1 billion tons of CO₂ over the next few years when compared with legacy IT systems. The more banks that lean on public cloud providers and the SaaS solutions that run on them, the more the sector generates green economies of scale.

→ [Read more here: Cut, Evidence, Empower: How Technology Can Help Banks Deliver on COP27 Commitments – Finance Digest](#)

Case study

ESG Investing as-a-Service



Temenos launched ESG Investing-as-a-service, helping banks and wealth managers meet the growing demand for sustainable investing. The offering was unveiled to 1,500 banking and fintech executives at the Temenos Community Forum 2022.

Running on Temenos Banking Cloud, on any cloud or on-premise, the service accelerates time-to-market for ESG compliant products and reporting while reducing the cost of development. The solution combines Temenos front office, market data management and digital capabilities, including powerful filtering, scoring and modeling techniques, with external data feeds from multiple providers to deliver a complete end-to-end service.

ESG investing, also called sustainable, socially responsible, or impact investing, is a way of investing in companies based on their commitment to one or more ESG factors. It presents a huge opportunity for banks and wealth management firms to drive growth and differentiate to meet their clients' increasingly sophisticated ESG needs.

→ [To read more please refer to: Temenos Launches ESG Investing as-a-Service for Banks and Wealth Managers](#)

Temenos Exchange Marketplace

The pre-integrated solutions, available on Temenos Exchange, Temenos' Fintech Marketplace, bring open banking innovation to market faster and at scale. With our open platform for composable banking, banks can extend their services by integrating third party applications from Temenos Exchange, like Bud and Greenomy, to help our clients track their carbon footprint or digitalize sustainability reporting to align with the EU Taxonomy, which enables the redirection of funds towards sustainable activities, speeding up the transition to a carbon neutral economy in line with the European Commission's Green Deal.

→ [To read more: Temenos Exchange Sustainability partners](#)



Focus on client engagement

Client Voice

Placing the client first has been central to our corporate principles since the inception of the Company 29 years ago. We continuously strive to keep the satisfaction of our clients as high as possible by maintaining the highest levels of service and support and continue to deliver business value to them.

We introduced the Client Voice program more than a decade ago to capture the opinions and views from our clients in a formal way, conducting a detailed client survey each year. The program canvasses the opinions of the client base of our entire portfolio of solution offerings globally, capturing immediate feedback and critical client data to act on to deliver more value to our clients. The Client Voice program tracks each client's perception of experience working with Temenos. It also provides opportunities for us to improve our processes, products and the way we deliver and support them.

The key performance indicator of the program is based on the Net Promoter Score (NPS), calculated from the difference between the numbers of promoters (clients who would recommend Temenos) and detractors (those who would not). This process enables Temenos to improve the experiences of our clients with the goal of increasing the NPS over time. In 2022 we saw an improvement in our NPS, as a result of our continuous improvement in our approach to client engagement.

Temenos Ambassador Program

We are committed to putting our clients at the core of our business while generating long-term value for them. The goal of the Ambassador Program is to promote innovation in banking and showcase the value and positive impact Temenos technology has on our clients and ultimately to celebrate our clients' success. 79% of our Ambassadors are C-level or department heads, from financial institutions of all sizes and sectors, all over the world. This program allows them to give back to the leaders' community by sharing their experiences.

In 2022 Ambassadors could nominate their company for the new Innovation Hero awards. The winners were voted online by peers (over 54,000 votes on social media) and by a jury of industry experts. In addition, we continue to recognize one exceptional Ambassador each year with the Visionary Leadership award.

The Ambassador reception at Temenos Community Forum and other events and scheduled meetings provide Ambassadors with networking opportunities where they can gain valuable insights from peers. The program includes a reward scheme.

	2021	2022	YoY
Referenceable accounts*	507	594	+17.1%
Temenos Ambassadors*	584	805	+37.8%

* We have chosen to disclose slightly different metrics compared to last year, following requests from market commentators and external stakeholders, and have included prior year numbers in order to show the trend.

Customer success and support

Together with the launch of CEO Navigator, our Customer Success team will focus on value realization for our clients. Temenos will take a proactive approach analyzing various data points and propose improvements in the use of our technology. The team will uncover opportunities which should be served by our services and sales organization, with additional products from the Temenos portfolio. Our team will keep clients informed of new trends in the market as well as the road map of Temenos products, in particular with the implementation of new digital onboarding strategies, and assist in the migration to cloud-based solutions as well as the incorporation of our XAI technologies to improve efficiency in the decision-making process and at the same time to evaluate opportunities for additional recurring revenue by promoting premium support services. On the support side, Temenos will continue investing in the growth of regional support centers that can act as a first line of support (in the same time zone) of our clients; these centers will help us reduce the backlog of tickets. Temenos is investing in people, solutions and processes. The Company's passion for expediting clients' success is a key driver of its business.

Objectives	Success criteria
<ul style="list-style-type: none"> To build a world-class support and customer success organization that is passionate about delivering value and an exceptional experience to our clients. Empowering them to achieve their objectives. 	<ul style="list-style-type: none"> Improve NPS by 30%. Increase participation in the Customer Survey by 10%. Reduce backlog (open) tickets in the PACS system by 30%.

Strategic Report

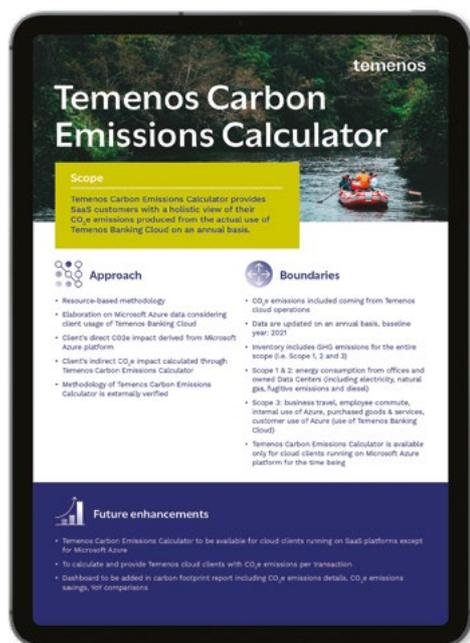
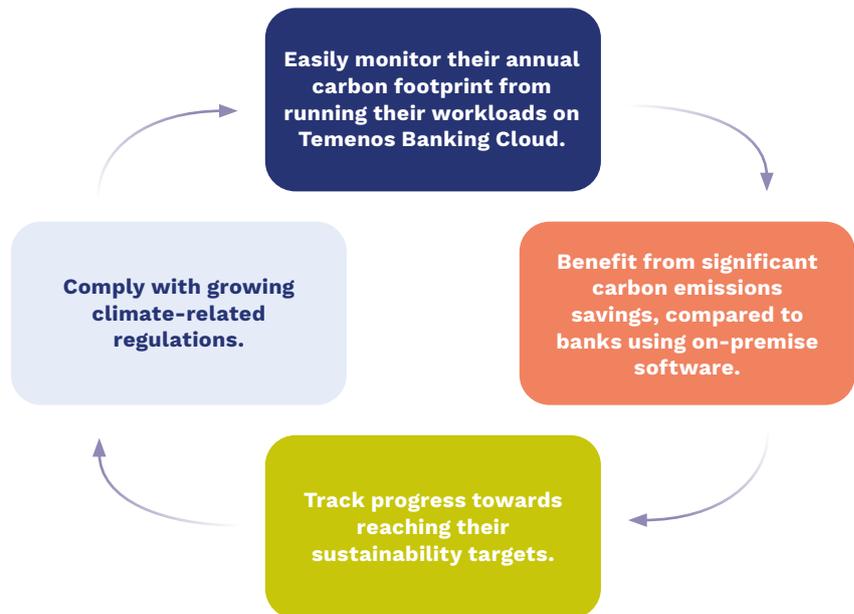
SUSTAINABILITY continued

Temenos Carbon Emissions Calculator

Innovating with purpose is fully integrated into our culture. It's how we take care of the world around us and it's how we deliver value to our customers, our Partners and the communities we serve across the globe. Climate change is a pressing global challenge and with new regulations coming into play, banks are looking for new ways to measure and mitigate their carbon emissions.

To support banks in their race to net-zero, Temenos has launched its Carbon Emissions Calculator on the Temenos Banking Cloud. This industry-first and independently verified solution is powered by hyperscalers and gives our customers deeper, data-driven insights into their carbon emissions. The calculator is embedded into the Temenos Banking Cloud and offers these insights at no extra cost to our customers.

Through Temenos Carbon Emissions Calculator our customers can:



Temenos and Microsoft have been model partners to EQ Bank. They share our focus on ESG issues and readily provide a detailed breakdown of their carbon footprint whenever we request it. Using the Temenos Banking Cloud, we understand and can further reduce our carbon footprint, as we aim to set the standard for responsible, low-carbon banking in Canada.”



Through Temenos Carbon Emissions Calculator, our customers can now get CO₂e emissions insights from their actual use of Temenos Banking Cloud.”

Andrew Moor
Chief Executive Officer, EQ Bank



2 Operating Responsibly

Ethical business

For 29 years we have been proud of our reputation for professionalism and the strong relationships we have built up with our clients. We believe that sound and ethical business conduct and governance is critical to earning and maintaining the trust of our clients, investors, Partners and suppliers. Integrity, honesty and transparency are at the heart of what we do. Our commitments to ethical business practices and strong corporate governance structures are designed to promote the long-term interests of our shareholders, maintain internal checks and balances, promote accountability at all levels of our organization and foster responsible decision making.

As a global Company, we have been operating at an exceptionally high standard of integrity in complying with the laws and regulations of the countries in which we operate – in some cases higher standards than required by national laws or regulations. We understand the responsibility that comes with that role and are committed to working with all our stakeholders to build long-term business relationships and create sustainable value for them.

Information security, cybersecurity, data privacy and business continuity

Banking organizations globally place their trust in Temenos to provide industry-leading products and services to assist them with their technology and digital transformation initiatives. Alongside such projects comes the responsibility to ensure that everything we do as an organization is done with security and privacy in mind, protecting our own systems and ensuring that software and services are securely delivered and client data is protected from malicious actions and securely processed in line with our obligations. To achieve this, Temenos has embedded security and privacy at the core of its business and established the governance, people and processes necessary to secure the organization, services and, most importantly, data, products and services provided to our clients.

Responsible procurement

Beyond our operations, our commitment to operate responsibly and sustainably extends to our suppliers and business partners. Temenos has integrated sustainability considerations in its procurement policy and practices and expanded to a strategic procurement operating model that proactively engages the business and suppliers for sustained cost efficiency, enabled innovation and operational risk mitigation in the supply chain.

2022 key highlights

97%

of employees completed BCC training

80%

of our focus suppliers underwent sustainability assessments



We steward stakeholder trust by taking responsibility for our business’ ethics, procurement and security.”

Contributing to the UN SDGs





Strategic Report

SUSTAINABILITY continued

Operating Responsibly continued

Ethical business**Corporate governance**

Corporate governance at Temenos promotes the long-term interests of all of our stakeholders, fosters a culture of transparency, business integrity, responsible decision making and accountability, maintains internal checks and controls and helps build public trust in the Company, by balancing the interests of all its stakeholders. More information on corporate governance can be found in the Annual Report: Governance section and on the corporate website www.temenos.com.

Business Code of Conduct

The Temenos Business Code of Conduct with the linked corporate policies is the foundation of our commitment to ethical business practices and legal compliance. The Code defines the 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. We operate in accordance with our Code, including where local legislation is less strict, or there is absence of legal and/or regulatory frameworks. Our Code and policies are aligned with the ten principles of the UN Global Compact on the four issue areas of Human Rights, Labor, Environment and Anti-Corruption and the OECD Guidelines for Multinational Enterprises. The members of the Board of Directors and the Executive Committee have endorsed the Code. Our Code is available in English and French on our intranet and our corporate website. It applies equally to full-time, part-time and temporary employees and contractors globally. It is a key part of the employment contract and contractor agreement. All employees are required to read and acknowledge the Code and linked policies within the first three months of their employment. They are also required to complete the mandatory trainings upon joining and to repeat every 12 months. The [CSR and Ethics Committee](#) is charged with monitoring the compliance with the Code and Ethics Framework. The compliance requirements of the Code are also part of our Partners and Suppliers Program. Specific compliance provisions are included in the Services Partner agreement and all new suppliers are required to comply with the Code as well as the [Temenos Supplier Code of Conduct](#). In addition, the roll out of the Suppliers Program includes existing suppliers, as they incrementally need to comply with the Code and related policies and to verify compliance by providing respective information when requested.

The backbone of our Code are the corporate policies linked to it that provide detailed guidance on how to exercise good judgment when working and making decisions for Temenos. The policies are reviewed annually and reflect our continued commitment to ethical business practices and legal compliance.

Compliance program

In 2022, the Temenos Compliance Framework continues to be based on the principles of assessment, prevention, detection and correction, ensuring that Temenos will carry on to:

- operate responsibly in accordance with applicable laws and regulations;
- maintain a culture of honesty, integrity, responsibility and compliance;
- meet high ethical and professional standards;
- prevent fraud and abuse and other compliance issues;
- detect compliance issues at earlier stages and prompt corrective actions; and
- build employee trust and confidence.

The Temenos Compliance Framework has been designed to operate in the form of a "Compliance Ecosystem" and includes:

1. Antitrust and Anti-Competitive Practices;
2. Anti-Corruption and Bribery;
3. Due Diligence and Onboarding;
4. Export Controls and Sanctions;
5. Anti-Money Laundering; and
6. Conflicts of Interest and Related Party Transactions.

Antitrust and Anti-Competitive Practices

Temenos values customer and market trust and strongly believes that it is fundamental to ensure Temenos safeguards its reputation. Complying with antitrust laws throughout the world is part of our commitment to operating in an effective, fair and free market economy. This commitment includes contracts with clients and any third party, ensuring Temenos competes independently from other market players and does not seek to control the commercial policy and practices of its resellers or distributors in any illegal or inappropriate manner. The most significant amount of our revenues derives from direct dealings with our clients, ensuring Temenos is in a strong position for enforcing its sales and contracting processes. Specific provisions from the Temenos Antitrust policy have been included in the [Temenos Business Code of Conduct](#).



Anti-Corruption and Bribery

For Temenos anti-corruption is not only a legal obligation but also a matter of ethical business standards. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships – wherever it operates – and to implementing and enforcing effective systems to counter bribery. Temenos' zero tolerance of corruption and ethical standards are set out in our Business Code of Conduct and our [Anti-Corruption and Bribery policy](#), which apply to all Temenos employees and Group entities. Anti-Corruption and Bribery training is part of the annual mandatory training that all employees should take when joining Temenos and to repeat annually during their employment with Temenos.

As a testament to our commitment to ethical business practices, in 2022, Temenos has not incurred any fines or settlements, nor was it involved in any investigations related to anti-competitive business practices, bribery or corruption.

As part of our ongoing commitment to anti-corruption, we have expanded our commitments in this area beyond Temenos, to include our suppliers, Partners and other third parties that have a direct contractual relationship with Temenos. Integrity is a vital part of our business. We also have anti-corruption and bribery provisions in our Partner and contractor agreements, as well as in our procurement process with suppliers.

Temenos has not made any contributions to political parties, trade associations or tax-exempt groups, nor has it engaged in any lobbying activities in the last four fiscal years.

Temenos monitors compliance with the policy regularly through routine and ad hoc checks and audits across the organization. The Anti-Corruption and Bribery policy and the effectiveness of the Anti-Corruption program are assessed and revised on a regular basis.

Due Diligence and Onboarding

The Temenos Due Diligence Framework is currently implemented on sub-licensing and referrals deals, following a risk-based approach. As part of our commitment to further enhance our compliance framework, all the assessments carried out in the previous year as part of the due diligence process are examined. Based on the analysis and the results, the model's assessment and key risk factors are fine tuned to further strengthen its predictability and risk assessment evaluation methodology.

Export Controls and Sanctions

Temenos complies with all applicable export control laws and sanctions worldwide and meets obligations under sanctions regimes of the jurisdictions in which it does business. To support the Compliance Program, and to meet the challenges and complexities of the regulatory requirements when operating in a global scale, Temenos will seek, when required, the advice of external legal counsel with expertise in the relevant fields. Temenos will forgo business which would breach sanctions regimes directly applicable to it.

All Temenos employees, contractors, distributors and Partners are expected and required to comply with the Export Controls and Sanctions policy, which is also part of the Code. Failure to observe sanctions and export controls may cause operational delays, expose the Company to regulatory investigations, severely damage our reputation and create substantial legal exposure for Temenos companies, including criminal and civil fines, and for individuals, including fines and imprisonment.

The Temenos Financial Crime Mitigation (FCM) solution is an integrated part of the Sanctions and Export Controls Compliance Program and covers all the relevant business needs and compliance requirements. The respective implementation enables us to examine the country where the software will be exported as well as the underlying entity.

Anti-Money Laundering

At the present time, due to the nature of our business activities which are business-to-business dealings with regulated entities (primarily banking and financial services institutions), Temenos assesses it has limited exposure to money laundering risk. To this end, Temenos is following a risk-based counterparty due diligence approach, in terms of assessments and controls purposed to mitigate any money laundering risk. It is based on the "Know Your Client" approach and it is formalized into two distinct phases: a) pre-onboarding assessment; and b) ongoing and systematic monitoring of high-risk counterparties.

Conflicts of Interest and Related Party Transactions

Conflicts of interest in both the public and private sector have become a major matter of public concern worldwide. As a global market-leading software provider, Temenos might be faced with actual, potential or perceived conflicts of interest. Temenos is sensitive to the ways in which an employee's private financial affairs could create potential conflicts of interest. Also, transactions executed by related parties (legal entities and natural persons) must be reported if such transactions are carried out under the significant influence of a Temenos senior manager. Ensuring that the integrity of the Company's decision making is not compromised by employees' private interests, Temenos has in place business specific policies that address the identification and management of actual, potential or perceived conflicts of interest that may arise in the course of business, as well as the reporting of any related party transactions.

The Conflict of Interest policy is linked to the Code and describes in detail the disclosure mechanism for all Temenos employees, members of the senior management and the Board of Directors, as well as the appeal process to the [CSR and Ethics Committee](#) which is charged with monitoring the compliance with the Code and its linked policies.

We have an internal online global system designed to centralize the declaration of conflicts of interest and related party transactions as well as the approvals of Outside Directorship Requests made by Temenos employees or members of the Board of Directors to serve as a director or an officer for an outside organization, which might also result in a conflict of interest. The Group Compliance Department prepares and submits on an annual basis a consolidated conflicts of interest incidents report to the Audit Committee.

Strategic Report

SUSTAINABILITY continued

Operating Responsibly continued

Anti-Corruption and Bribery continued

Shaping up the future – Temenos Integrity framework

The Temenos Integrity program is based on the below four pillars (as set by the World Economic Forum), targeting a 2023 completion time frame:



Ethical business conduct monitoring and reporting

Our responsibility is to train our employees on ethical business conduct, provide them with communication channels, build controls to prevent and detect unethical and non-compliant conduct, and perform regular internal audits. When we identify or learn of concerns or improper conduct, we investigate them fully and take appropriate action to remediate any issues identified.

Temenos offers employees, partners, and suppliers ways to report compliance concerns. If instances of possible noncompliance with the Business Code of Conduct are detected, an internal grievance mechanism is in place to record verbally, in print or electronically, any related concerns through the line manager, Group People Department, Group Legal Department, and Group Internal Audit. In addition, there is an independent anonymous reporting mechanism in place, the details of which are set out in the Anonymous Reporting policy and guidelines, which is linked to

Temenos Business Code of Conduct as well as the Temenos Supplier Code of Conduct. It is available on our intranet and our corporate website. Anonymous reporting means raising a concern about suspected wrongdoing involving Temenos people, contractors, partners, and suppliers. Temenos is committed to promoting and maintaining highest ethical standards in all our work, and ensuring that where concerns are raised, they are investigated and resolved, preserving the anonymity and confidentiality of anyone raising a concern. In addition, an appeal process to the [CSR and Ethics Committee](#) is in place, whose decision is final and binding. All disclosures are reported to the Audit Committee.

Internal audits concerning ethical business issues have been conducted for all our operational sites in 2022. All filed cases have been successfully resolved. The below table includes concerns raised from Temenos employees (eight cases) as well as external (four cases):

Employee concerns 2022 (including external concerns)	Raised	Upheld	Dismissed	Action taken
Workplace discrimination concerns (perceived feeling of discrimination)	0	0	0	n/a
Other workplace concerns (failure to comply with legal obligations, such as breaches of employment law or human rights obligations)	5	2	3	New policies adopted
Fraud, theft, bribery or other ethical misconduct	2	0	2	Changes in policies adopted
Health and safety or perceived damage to the environment	0	0	0	n/a
Violation of Temenos Business Code of Conduct	4	1	3	New policies adopted
Actual, potential or perceived conflict of interest	1	0	1	No action taken
Total	12	3	9	—



Risk management and internal control

Risk management provides independent oversight over the portfolio of key risks impacting Temenos and manages emerging risks with a potential business impact.

Temenos has established a Group Risk Management function overseen and managed by the Chief Risk Officer to monitor and manage enterprise risks including the establishment of a Group level Risk Management Framework which is aligned with ISO31000: Risk management and COSO ERM methodology.

In addition to the Group Risk Management Framework, there is also a robust internal control system in place for financial reporting and key operational and fraud risks that goes beyond statutory requirements. All relevant risks are identified, formally assessed and documented. For each risk we have implemented specific controls and mitigation plans and these are documented in formal risk and control matrices. The effectiveness of the controls is regularly evaluated through a formal self-assessment process which is independently reviewed and tested by both internal and external audit.

→ To read more on our Group Risk Management framework and internal controls, please refer to Responsible Risk Management - Principal Risks and Uncertainties section.

Compliance training

In addition to acknowledging the Code when joining the Company, Temenos employees are required to complete training on the Code and the areas of Anti-Corruption and Bribery, Data Protection and Security Awareness. Two additional trainings were introduced, Environmental Awareness and Business Continuity, to address ISO14001 and ISO22301 requirements. They are mandatory for the specific ISO certified locations, but are not included in the Business Code of Conduct mandatory trainings percentage.

Global Temenos 2022 training completion percentage	%
Business Code of Conduct acknowledgment	98.1
Information Systems Security acknowledgment	98.1
Business Code of Conduct training	97.3
Anti-Corruption and Bribery training	97.8
Data Protection training	97.2
Security Awareness training	97.3
Environmental Awareness	96.3
Business Continuity	98.8

The Anti-Corruption and Bribery policy and the Anti-Corruption program include several elements such as proportionate procedures, top-level commitment, risk assessment, integrity due diligence, communication, training, monitoring, review, enforcement and sanctions, with the aim of continuous improvement and alignment with prevailing international standards. The Board of Directors has the highest level of executive oversight for the Company's Anti-Corruption program. As part of our ongoing commitment to anti-corruption, we have expanded our commitments in this area beyond Temenos, to include our suppliers, Partners and other third parties that have a direct contractual relationship with Temenos. Integrity is a vital part of our business. We also have Anti-Corruption and Bribery provisions in our Partner and contractor agreements as well as in our procurement process with suppliers.

Anti-corruption and bribery training dashboard

By function	No.	Employees trained
General administration	619	98.1%
R&D	3,439	96.8%
Sales and marketing	649	98.8%
Services	1,806	99.1%
Cloud	511	98.3%
Grand total	7,024	97.8%



Strategic Report

SUSTAINABILITY continued

Operating Responsibly continued

Ethical business conduct monitoring and reporting continued

Anti-corruption and bribery training dashboard continued

By region	No.	Employees trained
APAC	377	99.0%
Europe	1,112	98.1%
India	4,734	97.5%
MEA	206	98.1%
NAM	393	99.0%
LATAM	202	100%
Grand total	7,024	97.8%

Note The tables above cover all of 2022. 64 employees were exempt from mandatory compliance trainings due to long-term leave reasons (sickness, maternity, etc.).

Information security, cybersecurity, data privacy and business continuity

Banking organizations globally place their trust in Temenos to provide industry-leading products and services to assist them with their technology and digital transformation initiatives.

Alongside such projects comes the responsibility to ensure that everything we do as an organization is done with security and privacy in mind, protecting our own systems and ensuring that software and services are securely delivered and client data is protected from malicious actions and securely processed in line with our obligations. To achieve this, Temenos has embedded security and privacy at the core of its business and established the governance, people and processes necessary to secure the organization, services and, most importantly, data, products and services provided to our clients.

Information security Governance

Temenos operates sound governance and oversight over its Information Security and Risk Management program. The Board of Directors oversees and approves the Group IT, Security and Risk strategies and is responsible for all aspects of security, risk management and internal controls systems. The Temenos Board of Directors has sound experience in strategy, finance, technology and cybersecurity.

Under the oversight of the Board, Temenos operates a three lines of defense model to support Temenos' business strategy and key initiatives through effective risk, security and compliance management. First, second and third lines of defense have been established under the Chief Security Officer, Chief Risk Officer have been appointed to own the first and second lines of defense. The third line of defense remains under the Chief Internal Audit Officer.

The Board Audit Committee meets at least four times each year and has oversight of the IT, Security and Risk functions and their strategies. The functions are invited

to present progress against strategy, key performance and risk indicators, audit findings and notable incidents.

The Audit Committee is attended by Temenos Board member Dr. Homaira Akbari, who brings cybersecurity knowledge and expertise.

The Temenos Executive Committee is responsible for developing and monitoring the strategic plans of the Group, including Information Security. Monthly Executive Committee meetings are held with wide business line representation and Information Security is represented within this Executive Committee by the CFO.

Temenos' **Security and Privacy Committee** oversees management effort in implementing global Information Security and Privacy programs aligned to business strategy and ensures that Temenos has established written policies, standards, guidelines and procedures in compliance with the laws, rules and regulations of the countries in which we operate and in accordance with internationally recognized standards. The Security and Privacy Committee meetings are chaired by the Chief Security Officer (CSO) and are held quarterly at minimum. The membership of the Security and Privacy Committee has been elected in such a way to provide a broad connection across the functions and departments of Temenos (Information Security, Privacy, Temenos Cloud, Information Technology, Legal, People, Finance, CSR and Internal Audit).

Chief Security Officer

The Chief Security Officer oversees the first line of defense of the business with an organizational structure to ensure that specialized security functions continuously support delivery of the organization's agreed strategic plan.

Within the CSO organization, Temenos has established a security program covering Information Security, Security Operations, Security Risk and Assurance, Physical Security and Security Culture and Awareness, to address the security needs of Temenos systems and networks, facilities and buildings and Temenos Cloud and services.



Information Security Framework

The Information Security team (Information Security, Risk & Assurance) is responsible for building and maintaining the Security Framework, comprised of policies, standards, guidelines, procedures and controls.

The Temenos Security Framework is modeled on the Information Security Forum's Standard of Good Practice and controls are derived from industry sources such as Center for Internet Security, Cloud Security Alliance, ISO27001/2, NIST and other internationally recognized frameworks.

The Information Security team oversees the implementation of security controls by working with relevant stakeholders to identify risks to Temenos information and application of relevant controls to secure Temenos networks, facilities, devices, applications and systems. Notable controls include Endpoint Detection and Response (EDR), Data Loss Prevention (DLP), Third Party and Vendor Risk Management, Identity and Access Management, Closed Circuit Television, configuration hardening and multi-factor authentication.

Cloud security

The Cloud Security team is embedded within the Temenos SaaS organization and ensures that the Temenos cloud environments provide and maintain prescribed controls and tools to maintain the confidentiality, integrity and availability of our clients' applications and data, as defined in the Temenos Cloud Security and Privacy Framework. The Cloud Security function is a key component of the Temenos cloud governance structure that ensures that all SaaS services delivered to clients comply with our obligations and implement best practices in terms of information security controls and processes.

Across the whole organization, multiple security controls and programs are in place. These include but are not limited to privileged identity and access management, data loss prevention, email security, web security, endpoint detection and response, anti-malware protection, application whitelisting, file integrity monitoring, network intrusion prevention, web application firewalls, mobile device management, denial of service protection, multi-factor authentication and vulnerability management.

Security Operations Center

The Temenos Security Operations Center (SOC) is responsible for the continual security monitoring of Temenos IT and Temenos SaaS data, systems and services across the globe. It utilizes industry-leading tools, technology and procedures to detect harmful or malicious activities across all systems including end user devices, email and messaging, internet access, cloud services, internal applications and the Temenos SaaS platform.

Upon discovery or notification of a potential or actual security incident, the SOC has systems and procedures in place to triage and collect evidence, resolving incidents or escalating to management should it be required.

Temenos recognizes that incident response is a necessity of running a modern technology company and has implemented a Security Incident Management capability, embedded across the business to ensure rapid and robust response to security incidents small and large, aligned to the National Institute of Standards and Technology (NIST) Computer Incident Handling Guide.

A Security Incident Response Team (SIRT) has been established to oversee the management of security incidents and is comprised of senior management responsible for actions necessary during incident response, including Information Security, IT, Legal, Cloud and Internal Audit. Other parties are invited to participate as required depending on the nature of the incident.

SIRT is responsible for ensuring that necessary actions are taken, that sufficient priority and resources are available and that all obligations to affected parties are met, including obligation for notification to clients, regulators, investors and so on. SIRT also conducts an incident post-mortem to ensure preventative measures are identified, prioritized, assigned owners and implemented.

Assurance

Temenos networks and systems are continually assessed for vulnerabilities through a Vulnerability and Threat Management program. This program includes assessment via vulnerability scanning, penetration testing and threat intelligence analysis. These tests are conducted by an in-house team of security experts, who liaise with system owners and stakeholders, advising on vulnerability remediation in line with Security Policy and Standards.

Security training and awareness

All Temenos staff are obliged to complete Security Awareness training, including topics such as phishing, data security, privacy, physical security and business continuity. All Temenos employees, contractors and Partner resources must complete the training when joining Temenos and annually thereafter.

In 2022, Temenos achieved a 97.3% completion rate for the Security Awareness training. All Partners – included in the Services Partner agreement – are required contractually to provide Security Awareness and Data Protection trainings to all their employees working on Temenos projects. Specialized training is provided for employees or contractors working in more sensitive areas, such as Cloud Operations, Product Development and Security teams. Other security awareness activities include regular phishing simulation exercises, email communications and intranet posts describing recent developments both internal and external to Temenos.



Strategic Report

SUSTAINABILITY continued

Operating Responsibly continued

Information security continued

Security training and awareness continued

Temenos is an active member of industry-specific organizations such as Information Security Forum (ISF), Center for Information Security (CIS) and Cloud Security Alliance (CSA), which helps the Security function to leverage industry best practices, stay abreast of evolving threats and continuously improve the knowledge level of security staff.

Product security

Temenos Product Security incorporates continuous security assessment improvement through researching of the latest vulnerabilities and attack trends. As part of the secure development lifecycle, identifying vulnerabilities involves testing target applications using a variety of different methods and tools. Product security has been embedded into Temenos product development methodology to the extent that we are confident that the secure development and testing approach reduces the risk of security issues within the product set.

Architecture changes or new products are raised to the Security Design Authority for global review and approval. The secure design, development and review process aims to ensure that security principles are implemented such as:

- potential flaws or vulnerabilities are identified at initial phase of design and development, before coding process;
- code is developed securely and the security controls identified during the design phase are implemented;
- secure coding practices are applied and adhered to;
- unit testing of security features of the application are applied, security audit and code reviews are performed and automated code review tools are used; and
- ensure security recommendations are implemented and approved.

Information system enhancement and new product requests are raised by the Product Development team to the Product Security Assurance (PSA) team and reviewed for security design and tested using a combination of OWASP ASVS and Top10, SANS and specific test scenarios designed by Temenos. Testing result is reviewed and approved by the PSA team.

Security testing of our products is performed by the Product Security Assurance team as part of the release process. The following tests are conducted:

- Secure Code Review;
- Static Code Analysis (SAST);
- Open Source Library Analysis (OSL);
- Malicious Code Detection;
- Dynamic Application Security Testing (DAST); and
- Internal and External Penetration Testing.

Vulnerability reports along with recommendations are shared by the PSA team with the Development team for actions. All identified issues are recorded in the Incident Management tool.

Critical applications are subject to malicious code review performed by the PSA team, which includes system backdoors, application backdoors and cryptography backdoors.

Privacy

Privacy organization

The Chief Privacy Officer (CPO) leads our global privacy function and has responsibility for privacy throughout the Company, including our cloud, product and corporate business units. The CPO reports directly to the Audit Committee. Temenos operates an enterprise-wide privacy framework to drive and monitor privacy compliance.

Privacy regulations

We operate globally and therefore have to align to regulations across the globe. In 2022 this has involved:

- monitoring and responding to changes in the GDPR regulatory environment, for example, completing data transfer impact assessments when required and assessment of the impact of later developments such as the proposed Privacy Shield 2 agreement between the US and EU; and
- aligning to new legislation and regulations such as Personal Information Protection Law of the People's Republic of China (PIPL) and US State Privacy laws.

How Temenos uses data

Temenos processes personal data only for the purpose it was originally collected as per the applicable legal basis of processing. Personal data is not processed for any other secondary purpose. Access to that data is restricted to the people responsible for the specific processing activities. Temenos has never received any requests for customer information from government or law enforcement agencies. In addition, the Company has neither received any substantiated complaint concerning breaches of customer privacy and losses of customer data in 2022, nor have there been any monetary losses as a result of legal proceedings associated with user privacy.

E-privacy

The Temenos Privacy Policy is available on our website. We also maintain an Employee Privacy Notice. The users that opt in to our targeting advertising cookies on [Temenos.com](https://www.temenos.com) may see our display advertising banners; additionally, users that search on Google for terms relevant to our business may see our ads. Personal data are not used in both cases. The nature of our products and services means that they are not subject to government-required monitoring, blocking, content filtering or censoring.



Important components of our privacy framework include:

Business area	Key privacy activities and controls
Product	<p>Our Privacy team is embedded within our Product Development teams to ensure that we deliver products with that honor Privacy by Default obligations; key controls include:</p> <ul style="list-style-type: none"> an automated system to enforce and manage Privacy Impact Assessments at key stages in the Software Development Lifecycle (SDLC); and delivering bespoke privacy training to technical product teams to ensure that privacy concepts are well understood and practically applied.
Cloud	<p>Our Privacy team supports our cloud business on a daily basis; key controls include:</p> <ul style="list-style-type: none"> undertaking Privacy Impact Assessments when we onboard cloud clients. These assessments are used to identify/honor applicable data privacy regulations and to create records of processing within our enterprise privacy management system; delivering bespoke privacy training to our global cloud implementation and operation teams; and supporting security incident investigations.
Corporate	<p>Our Privacy team supports our corporate functions such as sales, marketing, procurement, people and finance by:</p> <ul style="list-style-type: none"> maintaining our records of processing; completing Privacy Impact Assessment for the introduction of new systems and processes; and delivering bespoke training to high-risk functions such as Marketing and People.

Business continuity

Temenos has an ethical and social responsibility to protect its people, assets, clients, and stakeholders from the potential impacts of business disruption. This understanding is at the core of our business continuity activities.

Temenos has established a Business Continuity Management (BCM) program, which effectively contributes to the protection of the organization, provides a resilience framework reassuring the delivery of services to clients and enables the organization to achieve its strategic objectives. BCM establishes and maintains a framework of procedures and plans that aim to prevent interruptions to mission-critical services and re-establish the efficient and cost-effective resumption of business. The aim is to:

- protect the organization and its business, including employees, assets (information and physical assets), customers and shareholders, by minimizing the impact of major disruptions;
- understand and communicate the recovery needs of the business and ensure appropriate recovery capability is provided to meet those needs;
- recover the business in a planned and controlled manner to meet the requirements of the business and comply with applicable laws, contracts, regulations or other factors in all regions;
- ensure that BCM is an essential part of business planning and development; and
- maintain a robust Business Continuity Management System (BCMS).

Temenos BCMS is ISO22301:2019 certified and associated with the operation and support of Temenos products and services. It covers both on-premise and cloud services to customers.

Responsible procurement

Beyond our operations, our commitment to operate responsibly and sustainably extends to our suppliers and business partners. Temenos has integrated sustainability considerations in its procurement policy and practices and expanded to a strategic procurement operating model that proactively engages the business and suppliers for sustained cost efficiency, enabled innovation and operational risk mitigation in the supply chain.

We employ a responsible strategic sourcing process for categories of supply considered critical for our business (focus suppliers). The suppliers that are critical for our business are:

- suppliers that provide goods and/or services that are directly linked to Temenos products and solutions;
- suppliers that have access to and/or process our employee or Company data;
- suppliers that connect to our systems or require access to Temenos intellectual property or confidential information; and
- suppliers that provide technical or IT services and/or software products that involve intellectual property licensing.



Strategic Report

SUSTAINABILITY continued

Operating Responsibly continued

Responsible procurement continued

Sustainability and operational risk assessments are part of the supplier selection process and the annual supplier performance and risk assessment activities. For the risk assessments, we use a Supplier Questionnaire that covers areas such as business and ethical conduct, environment, human and labor rights, impact on society, client privacy and information security, financial and legal compliance requirements. Our Supplier Questionnaire is aligned with the ten principles of the UN Global Compact and the EU General Data Protection Regulation 2016/679. As part of our ongoing plan to integrate ESG into our value chain, we are planning to incorporate supplier diversity as a weighted criterion in the supplier selection and renewal processes.

Since 2021 we use third party supplier risk management software to proactively map risks using external data to enable predictive risk management and planning and influence suppliers by implementing a new compliance framework to plan, execute, monitor and assess shared strategic sustainability goals.

Our Supplier Code of Conduct lists our commitments and expectations as well as the requirements for our suppliers in adhering to our responsible ways of doing business and is integrated as a clause into contracts and Purchase Order Terms and Conditions. We expect our suppliers to champion these values in their own supply chains, while encouraging them to develop responsible practices of their own and communicate any concerns they might have related to a possible breach of our Code through the Anonymous Reporting mechanism.

Temenos.com has a dedicated supplier section where we have publicly disclosed the Supplier Code of Conduct as well as relevant information related to our Purchase Order Terms and Conditions and invoice guidelines.

Spending on local suppliers

We recognize that a supply chain composed of diverse suppliers promotes competition and quality from our vendors, drives innovation and helps us better reflect the diversity of our clients. We are proud to work with a range of diverse and dynamic suppliers that can meet the specific needs of each business line. We build and maintain relationships with both small local suppliers as well as large international suppliers. The percentage of the procurement budget used for our top significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally) is as follows:

Top 15 countries based on headcount*	% purchases from local suppliers
India	96%
USA	71%
United Kingdom	83%
Romania	97%
Luxembourg	72%
UAE	76%
Australia	67%
Canada	72%
Singapore	69%
Greece	55%
Switzerland	37%
Ecuador	80%
Germany	92%
France	89%
Netherlands	49%

* Highest: 4,903; lowest: 58.

The reported local spending contains all purchases performed by the Temenos local entity from local suppliers, i.e. suppliers that are registered in the same country as the Temenos entity that pays them.

Responsible procurement framework 2021–2025

We have established a responsible procurement framework to track our current achievements and long-term goals in delivering sustainable outcomes.

→ To read more on our goals, please refer to "Goals and targets" section.

Supplier diversity framework

As part of our ongoing plan to integrate ESG into our value chain, we have established a comprehensive framework to ensure we are not only providing opportunities for diverse businesses, but also incorporating supplier diversity as a weighted criterion in the supplier selection and renewal processes. We have developed a section dedicated to supplier diversity and incorporated it into the general questionnaire that our vendors need to complete during the onboarding process. We collect and analyze supplier diversity data in order to assign a diversity score to each of our suppliers. Supplier diversity score is taken into account during the supplier selection and renewal processes.

We consider as a diverse supplier any business that is at least 51% owned, controlled or actively managed by any of, but not limited to, the following categories:

- woman/women;
- LGBTQI+;
- disabled person(s);
- veteran(s); and
- Asian/Black or African American/Hispanic or Latino/ Native American (US only).



3 Caring for the Planet

Environmental responsibility

With the continued global spotlight on the critical issue of climate change, we recognize the importance of understanding and taking action on our material environmental impacts, risks and opportunities. While fully complying with all relevant environmental laws and legislation at our office locations globally, we support a precautionary approach to environmental challenges on our own initiative and an environmentally responsible way of conducting our business.

We are committed to:

- measuring and monitoring our global environmental footprint and reporting on our progress;
- implementing mitigation, reduction and improvement initiatives, by continuously identifying opportunities to increase our energy efficiency and reducing carbon emissions both in our operations as well as in our value chain;
- aligning with international guidelines related to disposal of electronic waste; and
- helping our clients reduce and improve their carbon footprint, so that they can reach their ESG targets as well as their net-zero plan.

The Temenos Environmental Roadmap supports the UN SDGs and the transition to a net-zero economy and is structured around four areas: Environmental Policy and Management System, People Environmental Awareness, Environmental Monitoring and Reporting and Climate Change Strategy.

Environmental management and awareness

Our Global Environmental Management System (EMS), the ISO14001 EMS certification and our Employee Awareness Program are key tools for Temenos environmental performance and the transition to a low-carbon economy. We are committed to measuring, monitoring and reporting our environmental footprint and guide our journey towards net-zero, across the whole value chain, including our own operations, our products and services and our supply chain.



2022 key highlights

76%

ISO14001:2015 certification coverage

SBTi

Science Based Targets initiative officially validated our near-term targets

Zero

instances of non-compliance with environmental laws and regulations

Energy efficiency, carbon footprint and climate change

Our Climate Transition Action Plan, our TCFD reporting and our commitment to the Science Based Targets initiative reflect our strong vision of an inclusive and sustainable world together with our stakeholders, as we set out time-bound actions, targets and KPIs designed to deliver an emissions reduction pathway consistent with the 1.5°C ambition of the Paris Agreement.



We commit to aligning our business with the vision of a net-zero world by collaborating with our stakeholders across the value chain.”

Contributing to the UN SDGs



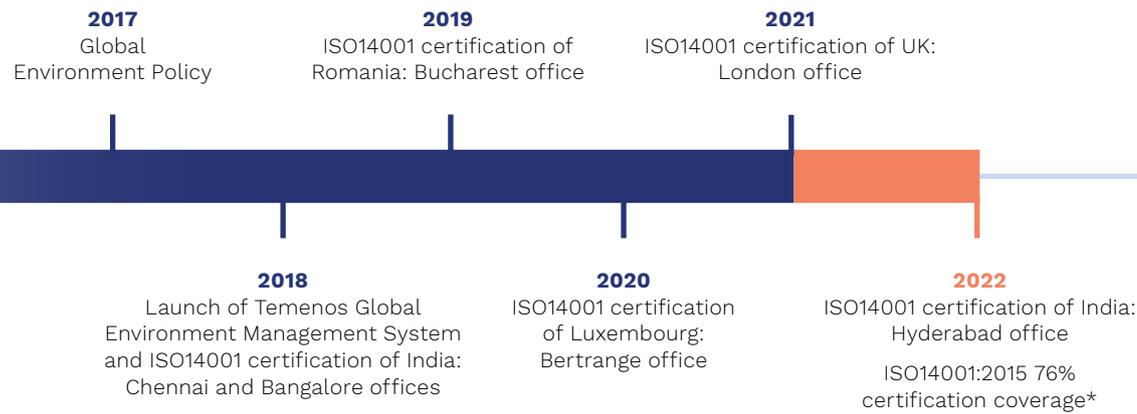


Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Environmental management and awareness
Environmental Policy and Management System



* Based on total employee workforce, including all acquisitions.

Objective:
increase coverage of ISO14001 certification across our global operations

The ISO14001 certified Environmental Management System (EMS), based on the principles of continuous improvement, supports our commitment of minimizing our environmental impact and provides us with a framework for achieving compliance against current and upcoming environmental legal regulations and stakeholders' requirements. It also enables us to use transparent and accurate environmental data to monitor progress towards our action plans and the achievement of our near-term science-based target.

The Executive Chairman and acting CEO is responsible for the Global Environmental Policy and the management team is periodically reviewing the progress and compliance. The local EMS teams, led by dedicated and trained office managers, are responsible for the annual targets, the monitoring of the action plans, the implementation of operational controls and the reporting of the environmental performance (energy, water, waste, GHG emissions) and the Global Environment Manager is responsible for the roll out of internal and external audits.

→ [Read more here: Sustainability and Environmental Responsibility](#)



Case study

Temenos EMS conference

The first Temenos EMS conference was held in Chennai, India on December 1, 2022, covering a wide range of topics related to environmental management, climate change and biodiversity. The conference provided a space for participants to learn about emerging trends and challenges in environmental management, to share experiences and ideas, and to collaborate on joint initiatives, in order to support Temenos' EMS, climate change and biodiversity strategy towards a net-zero economy.



Green facilities

All Temenos offices are located in large, leased office buildings close to city centers and outside protected lands and habitats, following our commitment to respect legally designated protected areas. The Temenos offices are designed internally in such a way as to fully utilize natural resources, such as sunlight, or make efficient use of the office space (open space externally used as patios) and to create an excellent working environment. We have incorporated environmental requirements into our corporate facilities management practices and developed a comprehensive facilities management strategy that incorporates both financial and non-financial criteria for new property leases (procedure and standards for selecting a new property) and for renewal of existing leases.

At the end of 2022, our offices in Miami, Lake Mary, Colorado, Boston, Mexico City, Canada, Madrid, Bucharest, Amsterdam, Krakow, Paris, Singapore, India, Hyderabad and Johannesburg were certified for their environmental performance as per a sustainable/green building standard, such as BOMA 360 and Best Gold, LEEDS Gold and Silver, Energy Star, BREEAM, Green Star, HQE, Green Mark Gold Plus and IGBC Gold, on their own initiative.

We continuously pursue initiatives to improve energy efficiency and reduction of carbon emissions at a time of ongoing growth in our business. To achieve our targets, we mitigate our environmental impact by incorporating operational control measures and clean technology in our facilities, such as:

- installation of electricity and water motion sensors in common areas;
- installation of smart metering with real-time data;
- upgrades of A/C systems and consolidation of critical rooms (Data Centers, server rooms and switch rooms);
- use of LED lights;
- use of ID secure printers;
- monthly preventive maintenance of office facilities, servers, diesel generators, UPS and fire preventive equipment;
- use of electricity from renewable sources;
- investing in landscaping and plantations;
- construction of organic waste converter and garbage room to recycle wet waste (India);
- installation of reverse osmosis plant in series with existing STP, to enable HVAC systems to utilize recycled water (India);
- Solar Energy Rooftop Plant and Application of "Solar Reflective Paint" on the terrace in all the exposed areas (India); and
- installation of EV charging points in the parking lots with more planned as per increase in EVs (India).



2022 highlights

34.1%

Green Building Certifications

23,154m²

total occupied area certified

Products and services

Objective:
incorporate sustainable software engineering practices into each stage of our products

During 2022, we engaged with GoCodeGreen, an independent climate tech company dedicated to measuring the carbon efficiency of software products, to provide us with a clear understanding of the carbon footprint of our software products, in order to improve our software engineering practices and reduce the carbon impact. Kicking off this project, we assessed the release and use stage of our Transact product and we have identified key actions to improve the carbon efficiency that can lead us to sector-leading performance.



Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Environmental management and awareness continued

Event Sustainability Management System

Objective:

organize ISO20121 certified sustainable events, in order to minimize our negative environmental impact in the areas of waste, water, energy and air quality and maximize our positive social and economic impacts of such events

Integrating sustainability into our corporate, sponsored or other types of events and ensuring that our event planning operates with the same high sustainability standards as our core business proves our commitment to respecting the principles of sustainable development. Therefore, we have a Sustainable Event Planning policy, which is linked to the Global Environment policy, as part of the Temenos Code of Conduct and the Temenos Supplier Code of Conduct, and our two main corporate events, TKO and TCF, are ISO20121 certified.

→ Read more here: Sustainable Event Planning



Employee environmental awareness

Objective:

engage all Temenosians towards a more sustainable lifestyle inside and outside the workspace

In order to reduce our environmental footprint and address climate change, we are committed to raising environmental awareness of our employees through training opportunities and voluntary environmental initiatives. To show our support, we recognize their contribution to address climate-related issues and environmental impacts inside and outside the Temenos workplace through the GEM (Go the Extra Mile) Quarterly Awards or the annual Temenosians Award.

Environmental awareness training

We invest in our employees' environmental training and encourage them through targeted awareness campaigns to adopt a sustainable lifestyle in their work as well in their everyday life, to help minimize their environmental impact, conserve natural resources and protect nature, biodiversity and local ecosystems. Since 2021, we have launched mandatory environmental awareness training for the employees in all ISO14001 certified locations. This training is also available in our internal platform, as a voluntary training module for all Temenos employees.

We also invest in the continuous education and development of our EMS Core Team members and we are committed to developing ISO14001 certified internal auditors.

Environmental voluntary initiatives

In order to educate ourselves through action and spread environmental awareness, we are organizing voluntary activities around the world, with the aim to encourage our employees to contribute to a greener, more sustainable future, protecting natural resources and biodiversity. Our latest initiative is the formation of Mission Earth Team, an employee resource group of more than 200 employees with a vision to inspire all Temenosians to start a butterfly effect of positive change. Throughout 2022, more than 1,000 employees have volunteered in environmental actions, including tree planting, beach clean ups, park clean ups, cycling and no light – no lift challenges.

→ Read more here: Volunteering for the Environment



2022 highlights

96%

trained employees

100%

of ISO14001 certified internal auditors per region

250+

active members of Mission Earth Team

6

Mission Earth Team meetings

21

events in 14 countries

1,200+

volunteering hours



Environmental monitoring and reporting

Objective: digital transformation to facilitate real-time data collection and analytics, to monitor and report on our environmental performance

SBTi

2022 official validation of near-term science-based targets in line with the 1.5°C Business Ambition: **Temenos AG commits to reduce absolute Scope 1, 2 and 3 GHG emissions 50% by 2030 from a 2019 base year**

17.7%

reduction of Scope 1 and 2 GHG emissions vs 2019 base year

1.7%

reduction of total Scope 1, 2 and 3 GHG emissions vs 2019 base year

37%

of water withdrawn is being treated and reused

78%

of waste is diverted away from landfill

In order to be transparent, we have invested in a sustainability software platform and we are working towards establishing a real-time BI system for environmental data disclosures and reporting insights to measure, monitor and report our environmental footprint, reduce our carbon emissions and guide our journey towards net-zero, across the whole value chain, including our own operations, our products and services and our supply chain, as appropriate. In line with our officially validated science-based target, we are also committed to annually reporting on our progress, including Scope 1, 2 and 3 GHG emissions. We are continuously working to improve our methodology to evaluate and monitor all relevant Scope 3 categories: purchased goods and services, capital goods, other fuel and energy-related activities, waste generated in operations, business travel and employee commute.

Energy

The total energy consumption (use of electricity, natural gas and diesel) during 2022 was 9,675MWh, with 1,758MWh derived from renewable energy sources, accounting for 18.2% of total energy use, and 7,917MWh from non-renewable energy sources. The direct energy consumption by primary energy source is 1,235MWh, with natural gas consumption accounting for 12% of the total energy use and diesel consumption for 1% of the total energy use. The indirect energy consumption (grid electricity) was 8,440MWh, accounting for 87% of total energy consumption.

→ [Read more here: Energy Efficiency and Carbon Footprint](#)

Water

Objective: use water in a sustainable way focusing on water consumption, water efficiency and water protection from contamination, while preserving biodiversity

Climate change and a growing population are putting increasing pressure on the global water supply. We follow all legal requirements, standards and regulations related to water quality and quantity permits with zero incidents of non-compliance to report.

Water consumption: Since 2019, we have been measuring and reporting on our water consumption at our offices, although we use water only as part of our offices' operations. We collaborate with the building owners, analyze data and implement efficiency measures. Using the WRI's Water Risk Atlas tool, Aqueduct, we have identified that 27.6% of our water use is withdrawn and consumed in locations with Extremely High (>80%) and 11.7% in locations with High (40–80%) Baseline Water Stress. To prevent unnecessary water use, we have fit water pedestal, tapping and motion sensor systems on water fixtures and we follow a preventive maintenance schedule to fix dripping taps in our offices.

Water efficiency: Our offices in India operate in IT business parks, where all wastewater is being treated in a sewage treatment plant (STP). It is then reused for toilet flushing and horticulture, in accordance with all legal requirements: Chennai Metropolitan Water Supply and Sewage Board and Chennai Metropolitan Development Authority. As a result, in 2022, we reused 37% of treated domestic wastewater and managed to reduce the consumption of fresh water by 7,633,273L.



Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Environmental management and awareness continued

Environmental monitoring and reporting continued

Water continued

Water protection: We have put in place several measures to prevent water pollution and protect marine and coastal ecosystems while preserving biodiversity:

- in locations where diesel generators are under our control, we have implemented Spill Prevention Plans, including specific training of responsible personnel and the provision of spill kits, as well as adequate secondary containers in case of a spillage of diesel;
- we monitor the quality of the effluent from the Sewage Treatment Plant (STP) in Chennai and Bangalore, on a regular basis through accredited laboratories, preventing potential contamination of water and land that would have resulted from untreated wastewater; and
- to further minimize any adverse impact on the quality of the water we also opt for ecological detergents for the cleaning of our offices.

→ Read more here: [Environmental Dashboard](#)

Waste and e-waste

Objective: create zero-waste workplace

As an IT software company, our waste generation is limited to municipal solid waste and a reasonable amount of e-waste from our internal operations and IT infrastructure, including computers, printers, monitors and phones. Used batteries and lamps and hazardous waste from India's diesel generators make up the rest of the waste.

Our waste management and prevention program is monitored by ISO14001. We work with authorized waste management vendors to reduce landfill disposal. Used IT equipment is cleaned of all data and software and donated to non-governmental organizations or disposed of by an authorized and certified recycler, which dismantles and removes all hazardous materials according to local and international electronic waste disposal guidelines. In India, where 100% of our hazardous waste is generated, we have implemented a hazardous waste disposal program to ensure that authorized vendors dispose of such waste according to international guidelines and regulations.

Our Luxembourg and UK offices also undergo external waste audits to identify opportunities to reuse, recycle, recover or eliminate waste produced on site. All global offices have environmental champions who implement environmental initiatives.

These initiatives include waste segregation by category, recycling programs, UPS battery buyback programs, environmental awareness campaigns to ban paper and single-use plastic and promote reuse and recycling, ID printers to reduce paper use, employee recycling training and environmental volunteering and community service.

→ Read more here: [Environmental Dashboard](#)



Case study

Breaking the plastic habit

Our Luxembourg office is committed to being part of the solution, not the pollution, and became the first single-use plastic-free office in Temenos. The plastic-free policy was launched in May 2022 and it has made a big impact. As a result, single-use plastics are banned from the office, all purchased plastic items undergo screening, plastic bottles and cups have been replaced by glass and employees consciously opt for restaurants that use eco-friendly packaging, source local and organic ingredients and practice waste reduction.



Energy efficiency and carbon footprint

Objective:

reduce all GHG emissions by increasing the energy efficiency and the use of renewable energy, across the entire value chain, reaching net-zero by 2050 in a rate compatible with the Science Based Targets initiative methodology

Scope 1 and 2

Offices and own Data Centers

We have set internal targets on energy consumption per location, to align our performance with our climate change strategy and be able to monitor our progress towards our science-based target. The total electricity load of all our offices in India is 3,590kW, from the operation of HVAC systems, UPS and lighting.

The primary sources of our emissions are natural gas, on-site electricity generation, purchased electricity and fugitive emissions. For 2022, the fugitive emissions from HFCs, HFCs and Ozone Depleting Substances were 345.6 tCO₂e. These emissions resulted from the use of the air conditioning systems and were calculate using the methodology provided by the sustainability software we have implemented*. Regarding NOx, SOx, VOCs, PM and HAPs emissions, we do not consider them as them as being significant to our operation, as we are a software company.

* For more information, please refer to [About this Report](#).

Scope 3

Purchased goods and services and capital goods

These two Scope 3 categories account for 90% of our total Scope 3 emissions*. We are in the process of establishing a more sophisticated methodology, to enable us to get more accurate primary data. Especially regarding collocated Data Centers and public cloud hyperscalers, being a software company and relying mainly on their services, we continuously improve our data gathering process of energy consumption and GHG emissions from these operations. The energy consumption from our collocated Data Centers in 2022 was 719,904kWh, accounting for 7% of Temenos' total energy use, (excluding one of our collocated Data Centers in Canada). The emissions from the use of cloud, based on the Microsoft Azure Emission Impact Dashboard calculator, were estimated as 99.02 tCO₂e.

Other fuel and energy-related activities and waste generated in operations

These two Scope 3 categories account for approximately 3% of our total Scope 3 emissions*. They are directly impacted by the initiatives we already have in place regarding energy efficiency and waste management.

Business travel

As an IT software company, we rely on our people who travel to deliver our services, so business travel by air constitutes an environmental impact that cannot be easily reduced. We measure our environmental footprint in relation to business air travel for all the countries we operate in, representing 100% of the total employee concentration*. We implement internally carbon emission

reduction initiatives, such as travel and global mobility policies, internal carbon pricing, increased internal communication and environmental training, efficient meeting management that requires travel around big corporate events, use of other lower-carbon modes of transport for travel within Europe and further investment in virtual collaboration and communication technologies.

Employee commute

As of September 2021, we have adopted a hybrid working model to facilitate the return to the offices and to strengthen our work and life balance. In 2022, we noted a 30% reduction in the GHG emissions from employee commute* vs 2021. Also, during 2022, Temenos has introduced in Hyderabad, India, shuttle services from Metro Station to the office, in order to encourage employees to stop using owned vehicles. As a result, 22,000km and 3,146tCO₂e were saved by opting for public transport.

* For more information, please refer to [About this Report](#).

Carbon footprint: the journey towards net-zero

Our annual absolute GHG Scope 1 and 2 (market-based) emissions (GHG) were 4,722tCO₂e. There has been a 10.4% decrease in absolute GHG Scope 1 and 2 emissions vs previous year 2021 and a 17.7% decrease vs SBT base year 2019. This reduction is a result of a combination of energy efficiency measures and an increase in renewable energy consumption. During 2022, 0.49tCO₂e were emitted per MWh, 7% less than 2021. In 2022, our annual absolute GHG Scope 3 emissions were 82,110tCO₂e, since we calculated, for the first time, all relevant Scope 3 categories (purchased goods and services, capital goods, other fuel and energy-related activities and waste generated in operations, business travel and employee commute), and our total Scope 1, 2 and 3 GHG emissions were 86,832tCO₂e. In terms of target setting and monitoring progress, during 2022 Temenos has set and officially validated its emission reduction target, by the Science Based Targets initiative, taking 2019 as baseline year. Our Scope 3 target boundary covers 68.6% of Scope 3 emissions, in line with the SBTi criteria, representing 56,345tCO₂e for 2019. Based on this, Temenos managed to achieve a 1.7% reduction of its SBTi - covered Scopes 1, 2 and 3 GHG emissions.

→ [Read more here: Environmental Dashboard](#)



Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Climate change and related risks

Business ambition for 1.5°C

1.5°C aligned

officially validated science-based target by the SBTi

50% GHG

emissions reduction by 2030 with 2019 base year

Net-zero

emissions by 2050 with 2019 base year

TCFD

recommendations integrated into strategy

Climate change strategy

Temenos considers climate change as a business imperative. We believe that how we address climate risks matters to our business, to the community and to the planet. It is important for us to understand the material financial implications of climate change on our operations, supply chain and product offering. As part of our environmental responsibility strategy, we are committed to:

- measuring our global impact and implementing climate risk mitigation and adaptation measures through energy reduction and emission avoidance initiatives;
- contributing to the reduction of GHG emissions and investing in energy efficiency measures including a progressive transition to purchasing renewable electricity in our own operations;
- providing our clients with the tools to reduce their or their customers' carbon footprint, improve their environmental performance, reach their sustainability targets and enable them through their net-zero journey; and
- collaborating with our suppliers and Partners to decarbonize the value chain.

Our CDP reporting reflects our strong commitment towards our vision of an inclusive and sustainable world together with our stakeholders. Our Climate Transition Action Plan sets out time-bound actions, targets and KPIs designed to deliver an emissions reduction pathway consistent with the 1.5°C ambition of the Paris Agreement. Our primary focus until 2030 will be on emissions reduction, not offsetting. Temenos' Climate Transition Action Plan has identified four key areas to facilitate the transition to a net-zero economy, by aligning our entire value chain to a 1.5°C emissions trajectory: incorporation of TCFD recommendations, implementation of emission reduction initiatives for our operations, supply chain engagement and client enablement.

Temenos' Climate Transition Action Plan

Collaboration with all stakeholders to reduce emissions throughout the value chain (Scopes 1, 2 and 3):

- 1. Strategy:** Incorporate TCFD recommendations into our ESG strategy, in order to ensure business decisions and strengthen our Company's resilience, while minimizing our impact on the environment.
- 2. Operations:** Increase the energy efficiency and the use of renewable energy, in all operations (including offices, own and collocated Data Centers and cloud).
- 3. Suppliers:** Engage with critical suppliers, supporting them to achieve net-zero, by encouraging them to commit to the Science Based Targets initiative.
- 4. Clients:** Accelerate the digital transformation from on-premise to cloud solutions, by the use of the Temenos Banking Cloud (TBC), enabling our clients to increase their energy efficiency, reduce their greenhouse gas emissions and get a deeper insight into carbon emissions data associated with their consumption of TBC services, through our industry-first Carbon Emissions Calculator.

1. Integrating TCFD recommendations into business strategy

Objective:

make better informed business decisions and strengthen resilience

Since 2021, we have adopted the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and published our first qualitative TCFD report on climate-related risks and opportunities. This year, we engaged with an external consultant to support our scenario analysis and the quantification of the identified impact. Based on the risk assessment, we have set mitigation and adaptation measures and internal targets to manage these climate-related risks and opportunities.

Mitigation measures:

Our aim is to reduce our operational carbon by implementing a series of key initiatives, in order to improve energy efficiency, reduce emissions and invest in carbon capture projects for the carbon emissions we cannot reduce or replace, such as: implementation of our ISO14001 certified Global EMS, increased internal communication and environmental training, investment in virtual collaboration and communication technologies, changes in travel and global mobility policies, introduction of a facilities management strategy that incorporates environmental criteria for new property leases and for renewal of existing leases, joint energy efficiency and innovation activities with the landlords in the buildings we lease, partnerships with suppliers and event management vendors with the same mindset, internal carbon pricing for flights and investment in carbon credits. In addition, Temenos has committed to, gradually and wherever possible, migrate from carbon-based electricity (generated by fossil fuels) to low-carbon electricity (renewable and decarbonized energy). The goal is to increase the use of renewable energy and the energy efficiency in our operations and hence reach net-zero of our Scope 1, 2 and 3 GHG emissions, in a rate compatible with the Science Based Targets initiative methodology, by 2050, with 2019 as the base year.

**Adaptation measures:**

Based on the Temenos risk management methodology, physical risks have been identified per each region. Our operations in India, the region with the most anticipated adverse effects from climate change out of all Temenos locations, have been rated to have negligible to low financial impacts. However, we are proactively implementing physical climate risk adaptation measures, based on a three-year time frame.

As an overall plan, Temenos has in place an ISO22301 certified business continuity plan to prevent or minimize any adverse impacts and ensure the continuity of services to our clients, should such events occur: back-up processes of Data Centers from primary to secondary locations, switching computing to other sites, using back-up generators and UPS systems, internal corporate IT service continuity and disaster recovery plans, supplier contingency planning, crisis management and major incident handling procedures, as well as property insurance covering SFTI risks and employee mobility, specific per location. Also, Temenos offices are located in large, leased office buildings, where such physical risks are included in the lease agreement.

As a region-specific plan, please see the table below:

Physical climate risk	Identified region	Adaptation measures
Extreme heat	India, Indonesia, Singapore, United Arab Emirates, Australia	<ul style="list-style-type: none"> ■ Incorporation of extreme heat conditions in emergency response plans (part of ISO14001 and ISO22301) ■ Operation of back-up generators and UPS systems in case of power outage
Water shortage	India	<ul style="list-style-type: none"> ■ Assessment of high-risk depletion areas (Telangana State vs Tamil Nadu and Karnataka) and proactive reduction of Hyderabad Data Center ■ Reuse of recycled wastewater withing the building complex ■ Plan for rainwater harvesting on site
Floods	Europe, India	<ul style="list-style-type: none"> ■ Implementation of spill prevention and management procedures (ISO14001) ■ Incorporation of flood hazard in emergency response plans for employees and assets
Hurricanes	Americas	<ul style="list-style-type: none"> ■ Ensure continuity of business by switching computing to other locations (ISO22301)

EU taxonomy:

The EU taxonomy is a classification system established to clarify which investments are environmentally sustainable in the context of the European Green Deal. In 2022, Temenos has concluded that its operation of the cloud infrastructure of the Temenos Banking Cloud is the relevant taxonomy-eligible economic activity contributing to climate change mitigation, after evaluating the description of the activity “8.1 Data processing, hosting and related activities” provided in Annex 1 to the EU Taxonomy Climate Delegated Act of June 4, 2021. Temenos cloud revenue consists mainly of fees earned from providing services such as Software as a Service (SaaS), and hence we have identified it as eligible for the EU Taxonomy, and accounting for 17.23% of its total revenue.

→ For more information see the [Achieving Business Excellence product portfolio table](#)

2. Operations

Objective:
increase the energy efficiency and the use of renewable energy, in all operations

Offices**Renewable energy**

Temenos commits to transition, wherever available and possible given the challenge of leased property, to energy suppliers with renewable energy, towards our journey to a low-carbon economy. During 2022, five additional offices (Denmark, Paris, Poland, India: Chennai KG and Bangalore) switched to renewable energy sourcing for electricity, in addition to our offices in Luxembourg, Switzerland, Belgium, Germany, Costa Rica, the UK and the Netherlands, accounting for 18.2% of our total energy consumption.

Energy efficiency audits

The objective of the energy audit work is to identify, evaluate and substantiate measures to save energy resources and modernize, if necessary, facilities to increase energy efficiency and reduce pollutant emissions. During the energy audits, various criteria are taken into account, such as: wall thickness, type of masonry, type of roof, condition of basement, condition of heating columns, performance of heating or ventilation system. All this information is obtained by on-site research of an authorized auditor, from specific documents, from information from the building owner or by specific measurements.



Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Climate change and related risks continued

Temenos' Climate Transition Action Plan continued

2. Operations continued

Our European offices in Germany, Luxembourg and Romania, which qualify under the guidelines set by the EU Energy Efficiency Directive, are undergoing energy efficiency audits every four years.

At our UK offices, as a part of Energy Savings Opportunity Scheme 2015 (ESOS) requirements, we engaged a third party to conduct energy efficiency audits in line with the BS EN 16247 standard and identified opportunities to improve our energy efficiency. By the end of 2022, our UK offices achieved a 43% reduction in energy use vs 2021, by optimizing use of the facilities in collaboration with the building management companies, as well as installing new LED lighting with automatic sensors and automatic meter reading (AMRv) for electricity consumption. Our UK offices are also compliant with the ESOS Phase 2, the mandatory energy assessment scheme, according to which large organizations are required to assess their energy usage every four years and to find new ways to save energy, as well as with the new Streamlined Energy and Carbon Reporting (SECR) scheme, the mandatory annual reporting of energy consumption of GHG Scope 1 and 2 emissions and energy efficiency initiatives.

During 2022, after a multi-site energy efficiency audit, as per ASHRAE level 2 guidelines, we analyzed the energy profile for all our offices in India and identified targeted energy conservation measures (balancing energy loads, upgrading air conditioning systems) and appropriate IOT-based solutions per each site, in order to guide Temenos' climate change strategic plan.

Data Centers and cloud

Strategic planning of Data Centers (SASB TC-SI-130a.3)

We recognize that Data Centers can make a substantial contribution to climate change mitigation, if implementing a comprehensive set of energy efficiency practices, and that cloud and SaaS products can lead to a more efficient use of energy and can contribute to mitigating climate change effects through replacement by digital services.

Own Data Centers

We are reducing our Data Centers' carbon footprint by carefully considering our platform design and leveraging our multi-tenant architecture. We choose to repurpose our existing servers: when a server is no longer suitable for its current workload due to age or performance restrictions, we investigate options of repurposing it for another function inside the organization. By doing so, we can extend its life and reduce e-waste by delaying the purchase of a new one. We also apply hyperconvergence, an IT infrastructure technique that consolidates compute, storage and networking resources into a unified system, helping to reduce Data Center complexity and footprint. Whenever needed, we opt for selection of the most efficient power supply on server, optimum airflow management and cooling and decommission of underutilized servers to avoid waste of power/cooling, thus reducing further our CO₂ footprint.

During the past few years, we have shut down our own Data Centers in Brussels and Luxembourg and reduced the size and the electrical load of our Data Centers in Hyderabad, India, considering the high-risk water stress of the area, based on the WRI's Water Risk Atlas tool, Aqueduct. Since 2020, we have rolled out an energy project in our own Data Centers in India, Chennai/Bangalore/Hyderabad, based on the recommendations of the ASHRAE level 2 guidelines of the 2021 energy efficiency audit. This project, planned to be delivered by the end of 2025, includes smart metering installations, to better monitor energy consumption and PUE, as well as energy efficiency upgrades and renewable energy sourcing.

Collocated Data Centers

Most of our IT infrastructure is in facilities managed by third party companies, specialized in Data Center services, where we do not procure the energy or control the operations of the buildings, the so-called collocated Data Centers. Since 2015, we are running a consolidation project with a goal to keep only two collocated Data Centers per continents (two in India, two in Europe, two in the Americas). We highly recognize the value added in allowing experts with green initiatives in place to manage the IT environment, including air-cooling, gray water usage, power usage effectiveness ratio, renewable energy use, etc. We work very closely with these collocated Data Centers on our sustainability journey and choose to collaborate with those which have sustainability goals and monitor their performance, in order to best mitigate the risks of climate change. In regions, with stringent regulations regarding carbon emissions and energy efficiency mitigation plans, like Europe, we select to partner with collocated Data Centers which are compliant with the requirements of the EU Code of Conduct for Energy Efficiency in Data Centres, as described in the EU Taxonomy Regulation: they utilize 100% renewable energy, using hydropower, shift towards cold-aisle containment and recycle the generated heat with their local utility company. Especially, our Collocated Data Center in Geneva, Safe Host, recovers the low temperature thermal waste from the cooling of its servers, which would otherwise be vented into the air and lost, and transfers the heat to the CADZIPO organization, which is responsible for operating the heating requirements of the surrounding industrial and residential buildings.

In Europe, our two collocated Data Centers in Switzerland operate under 100% of renewable energy. In the Americas, our Canadian provider (Equinix) utilizes 100% renewable energy from wind and our US provider (Evoque) utilizes approximately 28.5% of renewable energy generated from non-hydroelectric sources. The Australian collocated Data Center operates with a minimum 20% load coming from renewable sources, the same as all power consumed in New South Wales. In total, approximately 75% of the energy consumed by our collocated Data Centers globally is derived of renewable energy sources. For 2022, we estimated that their average Power Usage Effectiveness (PUE) ratio was 1.54, based on reports from our providers.



Public cloud

The momentum towards sustainable banking and green IT and cloud is only increasing. Our mission towards a modern banking technology transformation is critical to providing our clients with the products to enable them to transition to a low-carbon global economy. Temenos recognizes the environmental benefits of cloud computing and has strategically selected to employ a cloud-agnostic approach for its cloud and SaaS products. Our cloud-native SaaS offering, the Temenos Banking Cloud, is a climate-related opportunity, which helps banks become more operationally efficient and sustainable by reducing their carbon footprint and improving their operational and environmental performance, to reach their sustainability targets. Regarding cloud providers, we strategically partner with public cloud providers (Microsoft Azure, AWS, Oracle), with strong environmental agendas and commitment towards using 100% renewable energy and improving the energy efficiency of their infrastructure. By moving to flexible cloud-based infrastructure, we are expecting to reduce our own and our clients' energy use, resulting in much higher utilization rates, compared to the rates when on-premise Data Centers do not operate near their capacity, increase the renewable energy use and therefore reduce the GHG emissions. Migrating to cloud also means less infrastructure, and hence less e-waste. Thus, our clients who adopt the Temenos Banking Cloud will also accrue the inherent business benefits of this technology compared to an on-premise deployment.

→ [Read more here: Achieving Business Excellence.](#)

3. Suppliers

Objective:
engage with our focus suppliers towards a net-zero economy

As part of our ongoing plan to integrate ESG into our value chain and achieve our science-based target, we are committed to developing a supplier engagement strategy in line with the 1.5°C Business Ambition. This requirement is part of the critical (focus) suppliers' initial assessment rating, guided by our procurement selection process, aimed to be incorporated in all the related contracts by 2030. As part of the Temenos Supplier Code of Conduct, we engage with our suppliers, contractors and Partners by setting standards for their environmental performance and by ensuring their compliance. Since 2021 we have implemented supplier risk management software to proactively map risks using external data to enable predictive risk management and planning. We are in progress to implementing a global procedure to monitor information regarding our focus suppliers' climate change targets consistent with the Paris Agreement, encourage them to commit to the Science Based Targets initiative and measure their success to reduce emissions through absolute energy reduction and/or use of renewable energy. Our focus, being a software company, is on the selection of Data Center/ cloud providers, as well as IT manufacturers, as we recognize that these suppliers can make a substantial contribution to climate change mitigation, if implementing a comprehensive set of energy efficiency practices. Hence, we partner with cloud hyperscalers and procure IT equipment compliant with internationally acknowledged standards, such as Energy Star, EPEAT and TCO.

4. Clients

Objective:
transform our clients into smart, inclusive and sustainable organizations

Temenos is committed to integrating ESG in its product offering, by combining digital transformation and innovation with sustainability. Through the composable platform of the Temenos Banking Cloud powered by the hyperscalers, our Carbon Emissions Calculator and the integrated apps in the Temenos Partners Exchange Ecosystem, we are able to provide our clients with the tools to measure their emissions, reduce their or their customers' carbon footprint, improve their environmental performance, reduce operational costs, comply with regulation and reporting, reach their sustainability targets and eventually enable them through their net-zero journey. Temenos recognizes the importance of client engagement and innovation to address the adverse impacts of climate change. Therefore, we annually honor selected clients at the Temenos Community Forum (TCF) for their contribution to their communities, innovation, and commitment to making banking better. In 2022, we introduced a new award category, the Sustainable Banking Award, which recognizes the exceptional efforts of clients like Flowe to support climate change mitigation by leveraging the Temenos Banking Cloud.

→ [Read more here: Achieving Business Excellence](#)





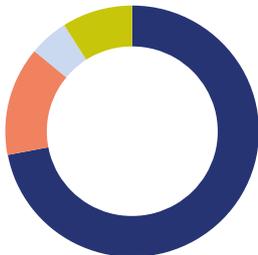
Strategic Report

SUSTAINABILITY continued

Environmental dashboard

Energy and GHG emissions

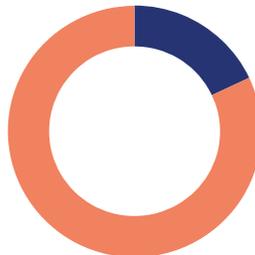
2022 electricity use by region



% by region

Asia Pacific	72%
Europe	14%
Middle East and Africa	5%
Americas	9%

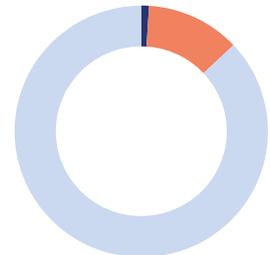
2022 renewable energy use



% renewable energy use

Renewable	18%
Non-renewable	82%

2022 total energy profile

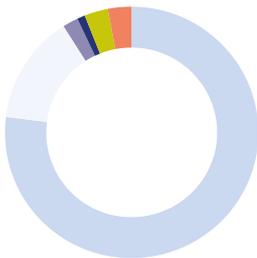


% by activity

On-site generation	1%
Natural gas	12%
Grid electricity	87%

Scope 3

Scope 3 carbon footprint 2022



Cat. 1 Purchased goods and services	77.9%
Cat. 2 Capital goods	14.3%
Cat. 3 Fuel and energy-related emissions	2.3%
Cat. 5 Waste generated in operation	0.3%
Cat. 6 Business travel	2.6%
Cat. 7 Employee commuting	2.6%

Scope 3 GHG emissions

Monthly average tCO₂e per capita



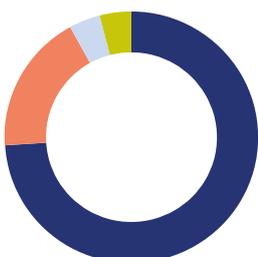
GHG emission (% per Scope)

	2018	2019	2020	2021	2022*
Scope 1	2	2	7	5	1
Scope 2	14	22	52	46	5
Scope 3	84	76	41	49	94

* As of 2022, Scope 3 includes all relevant categories. For previous years 2018–2021, Scope 3 included only business travel and employee commute.

Water and waste

2022 water withdrawal



% by region

Asia Pacific	74%
Europe	18%
Middle East and Africa	4%
Americas	4%

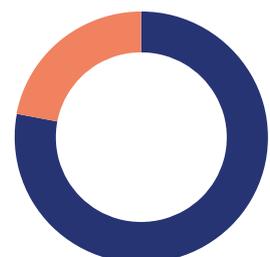
2022 baseline water stress



% baseline water stress

>80% extremely high	28%
40–80% high	12%
>40% low	60%

2022 waste profile



% waste

Diverted from disposal	78%
Directed to disposal	22%



2022* Region	Energy consumption and GHG emissions						
	Total annual electricity use (kWh)	Total electricity derived from renewable energy sources (kWh)	Total annual natural gas use (kWh)	On-site electricity generation (kWh)	Scope 2 – Electricity (tCO ₂ e)	Scope 1 – Natural Gas (tCO ₂ e)	Scope 1 – Diesel (tCO ₂ e)
APAC	6,028,083	1,272,719	0	124,073	3,432	0.0	31.4
Europe	1,213,363	450,026	314,739	0	266	57.0	0.0
Americas	768,739	35,550	796,070	0	210	144.3	0.0
Middle East/Africa	430,250	0	0	11	236	0.0	0.0
Temenos	8,440,436	1,758,295	1,110,809	124,084	4,144	201.3	31.4

* Including offices and owned Data Centers.

Energy		2019	2020	2021	2022	
GRI 302-1	Total Energy Consumption (MWh)	9,163	9,125	9,017	9,675	
SASB TC-SI-130a.1	Total Energy Consumption (GJ)	32,986.4	32,849.8	32,461.4	34,831.2	
	Natural Gas Consumption (GJ)	1,501.5	2,476.4	2,954.0	3,998.9	
	On-Site Electricity (GJ)	1,317.9	557.9	331.8	446.7	
	Purchased Electricity (GJ)	30,167	29,815.5	29,175.5	30,385.6	
SASB TC-SI-130a.1	% of Total Energy Consumption that Is Grid Electricity	91.4	90.8	89.9	87.2	
SASB TC-SI-130a.1	% of Total Energy Consumption that Is Renewable Energy	3.2	4.2	4.0	18.2	
GHG emissions (tCO ₂ e)		2018	2019	2020	2021	2022
GRI 305-1	Scope 1: Natural Gas Consumption	—	78.1	135.6	148.7	201.3
GRI 305-1	Scope 1: On-site Electricity Generation	607	304.4	41.7	23.3	31.4
GRI 305-1	Scope 1: Fugitive Emissions (HCFCs, HFCs, ODS)	—	—	529.1	364.4	345.6
GRI 305-1	Scope 1: Total	607	382.5	706.4	536.5	578.3
GRI 305-2	Scope 2: Purchased Electricity (location-based)	4,985	5,737.6	4,991	4,756	5,127
GRI 305-2	Scope 2: Purchased Electricity (market-based)	—	—	—	4,732	4,144
GRI 305-3	Scope 3: Employee Commute	7,620	6,655	1,465	3,106	2,179
GRI 305-3	Scope 3: Business Travel by Air	21,443	11,527	2,492	1,863	2,179
GRI 305-3	Scope 3: Purchased Goods and Services	—	—	—	—	63,960
GRI 305-3	Scope 3: Capital Goods	—	—	—	—	11,709
GRI 305-3	Scope 3: Other Fuel and Energy-related Activities	—	—	—	—	1,873
GRI 305-3	Scope 3: Waste Generated in Operations	—	—	—	—	210
GRI 305-3	Scope 3: Total*	29,063	18,182	3,957	4,969	82,110
	Scope 1, 2 (market-based) and 3: Total*	34,655	24,302	9,654	10,261	86,832
	Emissions offset	21,442.5	14,587	1,287	—	—

* As of 2022, Scope 3 includes all relevant categories. For previous years 2018-2021, Scope 3 included only business travel and employee commute.



Strategic Report

SUSTAINABILITY continued

Caring for the Planet continued

Environmental dashboard continued

	Normalized metrics (per capita)**	2017	2018	2019	2020	2021	2022
GRI 302-3	Energy consumption (kWh)**	164	146	132	108	108	108
GRI 305-4	Scope 1 and 2 Emissions (market-based)	0.105	0.095	0.088	0.067	0.064	0.053
GRI 305-4	Scope 3 Emissions (Business Travel and Employee Commute)	0.347	0.492	0.262	0.047	0.060	0.048
GRI 305-4	Scope 3 Emissions (Business Travel)	—	0.363	0.166	0.030	0.023	0.024
GRI 305-4	Scope 3 Emissions (Employee Commute)	—	0.129	0.096	0.017	0.037	0.024
GRI 305-4	Scope 3 Emissions (including all relevant categories)	—	—	—	—	—	0.92
	Water consumption (KL)	—	0.67	0.71	0.22	0.17	0.26
	Waste generation (t)	—	0.043	0.046	0.020	0.017	0.016

* Average monthly performance per average monthly headcount for the period December to November. For more information on the calculation, please refer to [About this Report](#).

**Includes all types of energy (grid electricity, natural gas, on-site generation).

Emissions activities	Scope	Emission source
Natural gas consumption	Direct (Scope 1)	Natural gas supply
On-site electricity generation – diesel fuel	Direct (Scope 1)	Diesel-operated generator sets
Fugitive emissions (HCFCs, HFCs, ODS)	Direct (Scope 1)	Air-conditioning equipment
Purchased electricity	Indirect (Scope 2)	Electricity grid
Purchased goods and services	Other indirect (Scope 3)	Upstream use of natural resources
Capital goods	Other indirect (Scope 3)	Upstream use of natural resources
Other fuel and energy-related activities	Other indirect (Scope 3)	Electricity grid
Waste generated in operations	Other indirect (Scope 3)	Waste generated in the offices
Employee commute	Other indirect (Scope 3)	Employees' private vehicles
Business travel	Other indirect (Scope 3)	Commercial airlines



Sources of water*		Volume in m ³
Purchased water	Municipality water	16,520.228
	Purchased water (non-potable)	3,192.755
Ground water	Ground water	673.712
Surface water	Surface water (river/lake/sea)	—
Harvested rain water	Rainwater collected and stored (water consumed from RWH tanks)	—
Recycled water		7,633.273
Total waste – water discharge		12,115.751
Water consumption per region		Volume in m ³
APAC		15,083.595
Europe		3,670.496
Americas		836.578
Middle East/Africa		796.026
Total water withdrawal (SASB TC-SI-130a.2) (GRI 303-3)		20,386.695
Total water consumption		637.671
Water consumption profile*		Percentage (%)
% recycled water (SASB TC-SI-130a.2)		37
% water in regions with high baseline water stress (SASB TC-SI-130a.2)		11.7
% water in regions with extremely high baseline water stress (SASB TC-SI-130a.2)		27.6
Waste profile		Quantity (tn)
Total waste generated (GRI 306-3)		121.27
Total waste diverted from disposal (GRI 306-4)		94.20
Total waste directed to disposal (GRI 306-5)		27.07
Waste per category		
Food waste (compost)		16.30
Paper/carton/plastic/tin (recycle)		58.84
Domestic (landfill)		27.07
Domestic (incinerated with energy recovery)		1.36
Hazardous waste** (recycle)		0.26
Hazardous waste** (incinerated without energy recovery)		0.01
E-waste (recycle)		17.43

* For more information on the calculations, please refer to [About this Report](#).

**Hazardous waste is generated from operation and maintenance of diesel generators in India.



Strategic Report

SUSTAINABILITY continued

4 Investing in Our People

2022 key highlights

7,566

employees

47%

gender diversity under the age of 30

59

offices

5

Great Place to Work recognitions

39

countries

30%

gender diversity in the Board of Directors

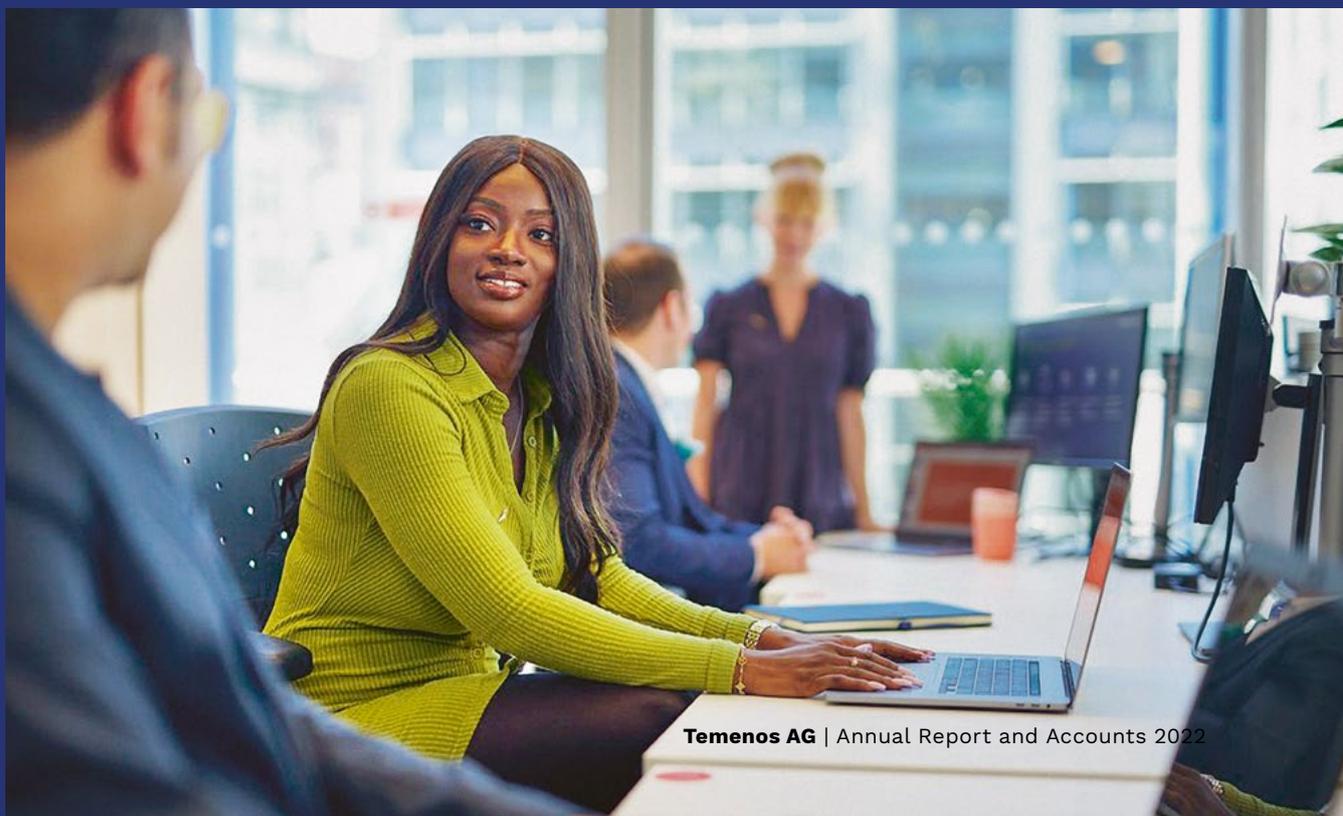
87

nationalities



We strive to create an open, fair, equal opportunity and honest work environment for our people and for the people who we impact through our work.”

Contributing to the UN SDGs





We believe our people are the key, as they make things happen and define our destiny. Our people are the most important and valuable Company asset constituting the Temenos culture and helping the Company reach its business targets and bring exceptional value to our stakeholders. Temenos aims to create 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. All employees and contractors are responsible for upholding this principle and work towards making Temenos a great place to work. Our commitments to communicate openly and respectfully with each other, to provide for diversity and equal employment opportunity at all levels of our organization and to protect the health and safety of our employees are an integral part of the [Temenos Business Code of Conduct](#).

At the end of 2022, Temenos employed 7,566 people worldwide, including full-time employees, business partners and contractors of Temenos. Our partnerships increasingly allow us to deliver a complete range of implementation and support services to our clients and complement our growth strategies. Most of our employees work as full-time, permanent employees. In 2022, we had 63 part-time employees (42 women and 21 men) and 5 fixed-term employees (2 men and 3 women). All employee benefits are provided to full-time as well as temporary or part-time employees based on the requirements mandated by the laws in the countries where we operate and the locations where we recruit.

Diversity, inclusion and equal opportunity

Temenos is a truly global and diverse team of 87 nationalities in 59 offices across 39 countries. Our differences are our strengths. We are diverse and inclusive, while at the same time, we reflect our diverse community of 3,000 clients in 150 countries. Diversity, equity and inclusion (DEI) are at the core of our vision, mission and values, and how we operate, innovate, engage with our employees, clients, Partners, suppliers and local communities. Over the years, we have continuously evolved our strategy, adapted to the new and changing global environment and aligned to new ways of thinking about diversity and inclusion.

Diversity and inclusion principles are embedded into our Temenosity culture and business practices: from our hiring processes to the development of our people, as well as to the way we recognize outstanding talent and communicate the importance of diversity and inclusion with our people.

Our business philosophy as well as our organizational structure are based on cultural diversity, as we operate using a matrix of regional and global business functions. We encourage decentralized work processes and cooperation between our people across countries and regions or anywhere in the world when traveling, while maintaining a central processes approach on core activities and decision making.

In addition, thanks to the diversity model we support, Temenos' software has multiple country model platforms, tailored to the individual language, currency, regulatory and reporting requirements of each country. This enables our software to be seamlessly integrated into banks around the world, adding incremental value from the very beginning of each project.

Employee experience

Temenos aims at offering a unique employee experience, irrespective of gender, race, disability, age and personal circumstances. We are learning from the data we gather and monitor and the insights from internal surveys, as well as what our employees are telling us about their Temenos experience. In addition, we gather input from external benchmarks and our industry, in order to understand our gaps and design the best way forward.

Human rights

Temenos is committed to operating responsibly and establishing high ethical standards across our Company and in our supply chain. This commitment includes the promotion of and respect for human rights as recognized in international human rights standards. As a UN Global Compact participant, 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 honor these global principles. We conduct regular audits to check internal compliance with these standards.



Strategic Report

SUSTAINABILITY continued

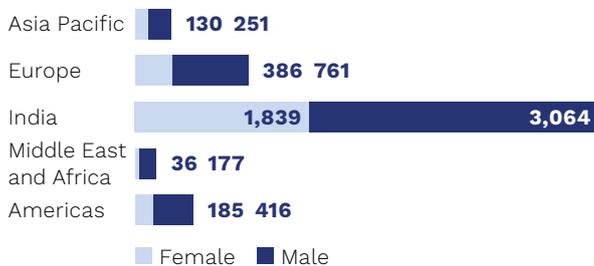
Investing in Our People continued

Diversity dashboard

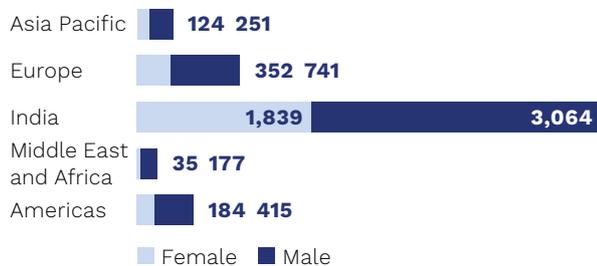
We monitor the effectiveness of our strategy towards diversity through the Temenos Diversity dashboard. Our dashboard data is a very important aspect of our diversity and inclusion efforts, but cannot present the full picture. We are always looking for new ways to capture the information, despite legal and country limitations, and in such a way that would help us shape and communicate the Temenos experience the best way possible. This ongoing process is helping us understand better the diversity of our people and make more inclusive decisions.

→ To read more on dashboard methodology, assumptions, contextual information and potential fluctuations, please refer to the Appendix section.

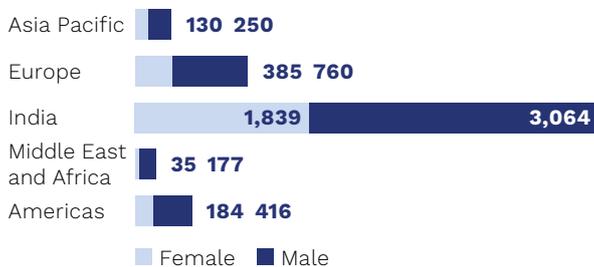
Temenos employees by region and gender



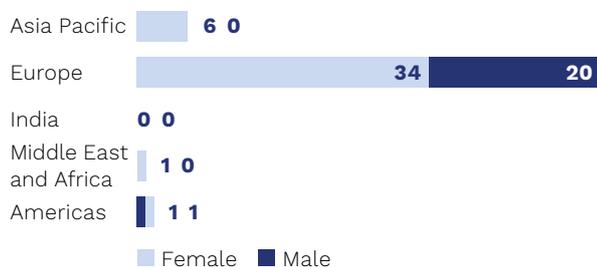
Full-time employees by region and gender



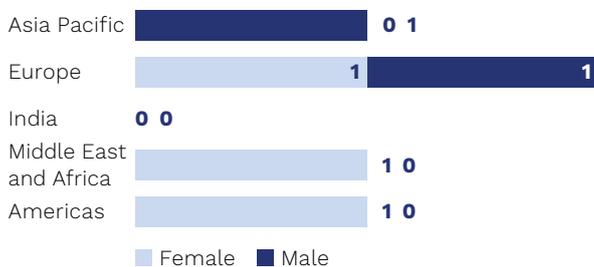
Permanent employees by region and gender



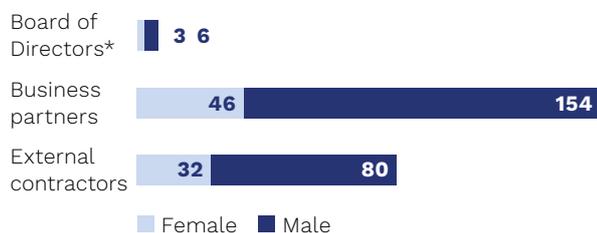
Part-time employees by region and gender



Temporary employees by region and gender

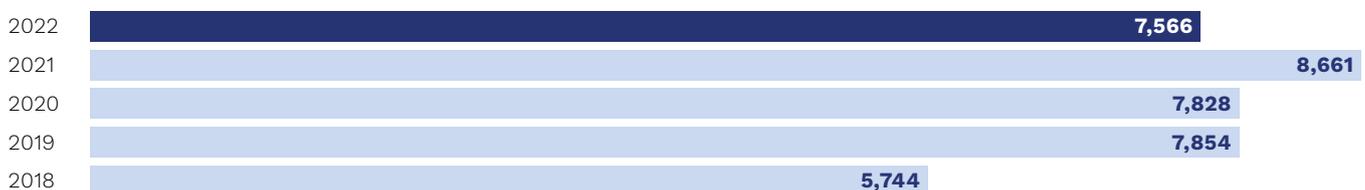


Non-employees



* Independent and Non-Executive Directors only.

Total headcount*

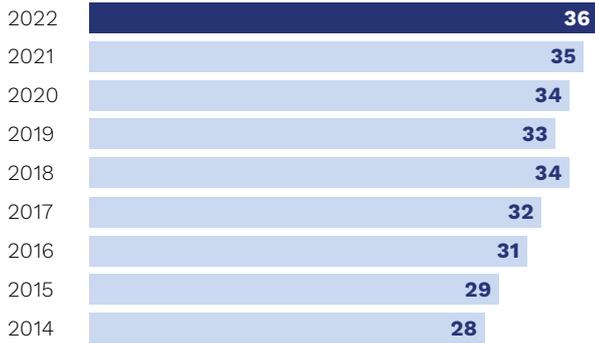


* Including non-employees.

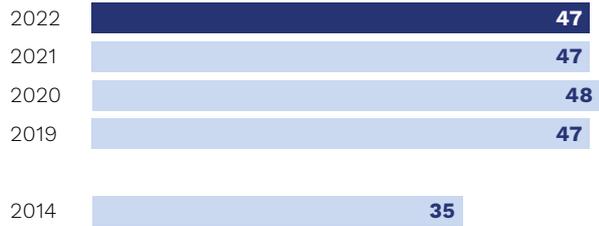


Workforce gender diversity

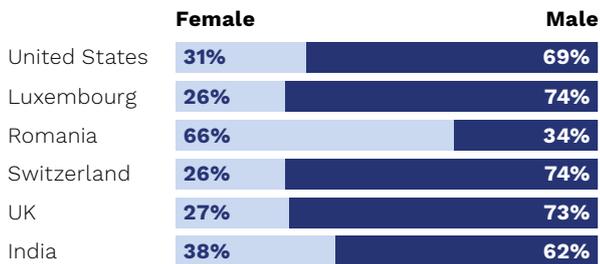
% of women in the total Temenos workforce



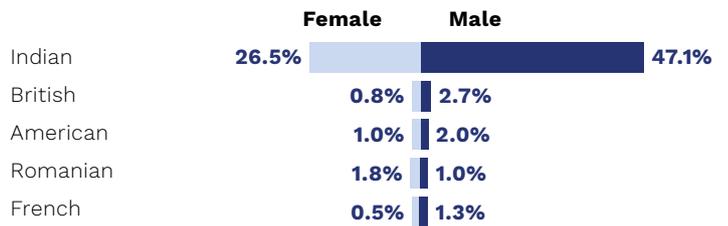
% of women less than 30 years old



By gender in certain regions

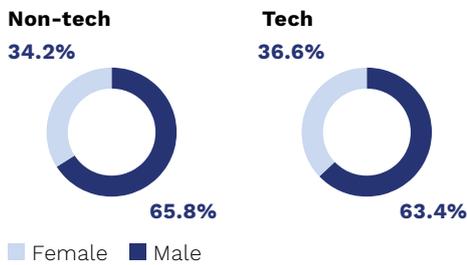


By gender and nationality*

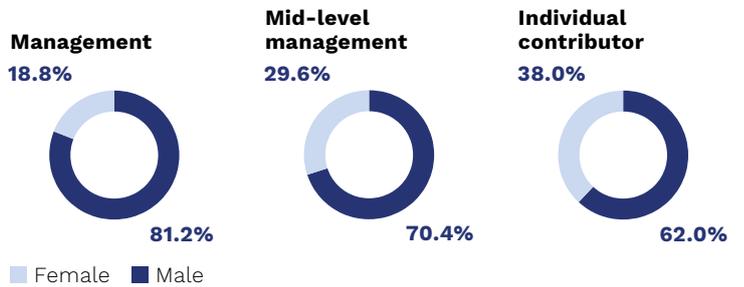


Note: Top five nationalities in terms of headcount as per DJSI requirements.

By gender and employee category



By gender and employee level





Strategic Report

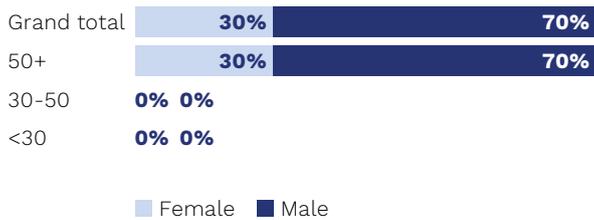
SUSTAINABILITY continued

Investing in Our People continued

Diversity dashboard continued

Leadership diversity

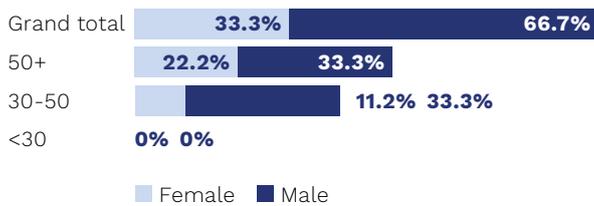
Board of Directors by gender and age*



Executive Committee by gender and age*



Management Board by gender and age*



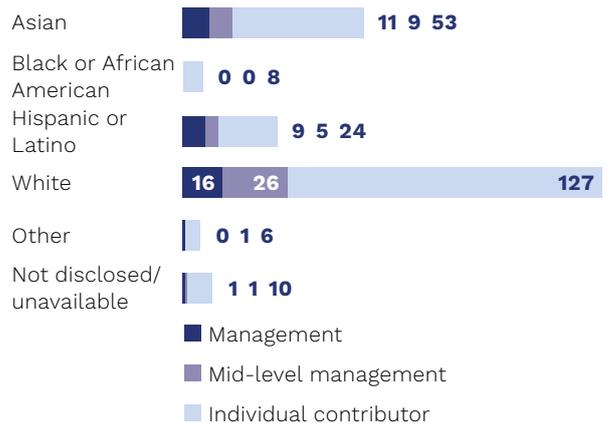
* BoD, Executive Committee and Management Board as of 31 December 2022.

Workforce race diversity (US only)

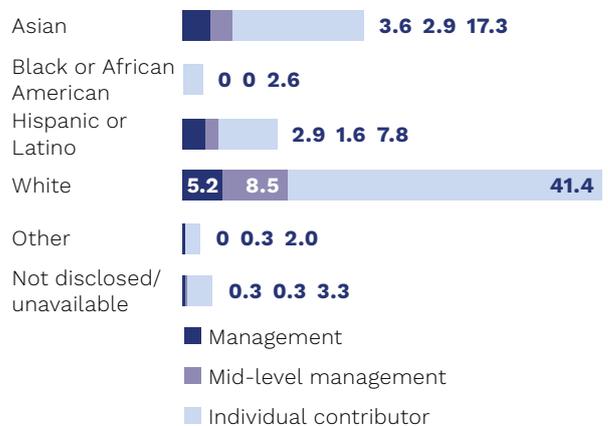
By race (US only)



By race and employee level



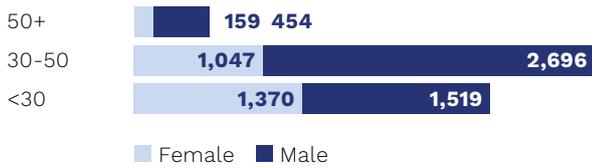
% by race and employee level



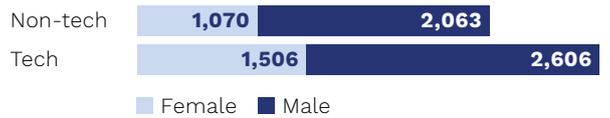


Temenos employees

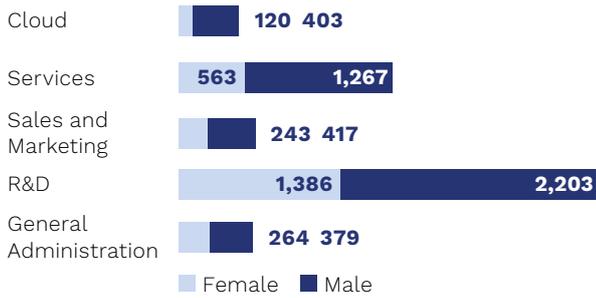
By gender and age



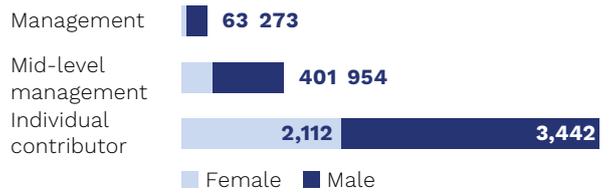
By gender and employee category



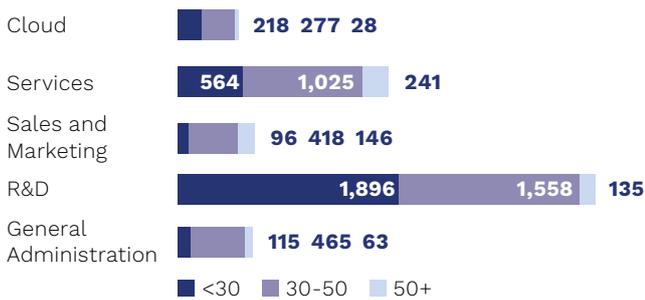
By function and gender



By gender and employee level

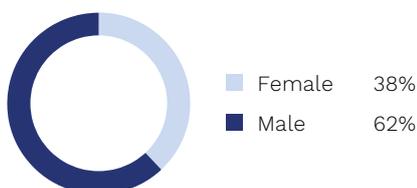


By function and age

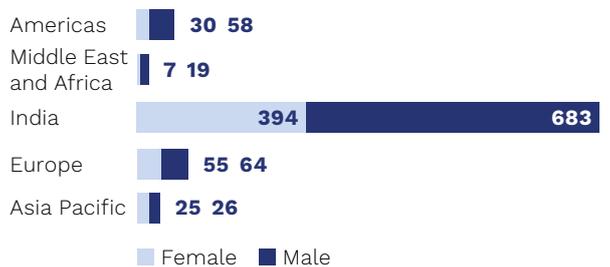


New employee hires

By gender



By region and gender





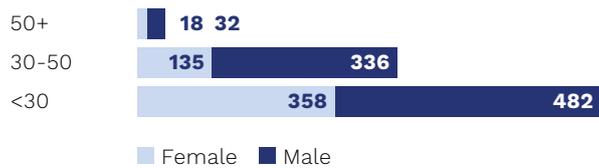
Strategic Report

SUSTAINABILITY continued

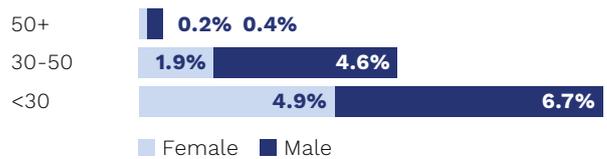
Investing in Our People continued

Diversity dashboard continued
New employee hires continued

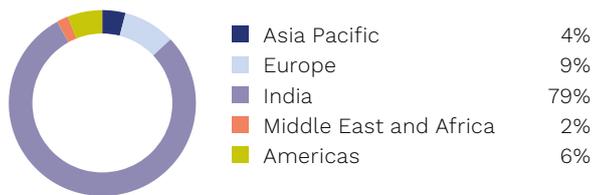
By gender and age



Rate by gender and age

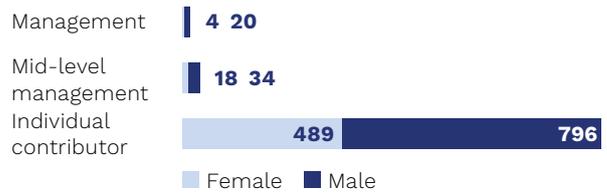


By region*

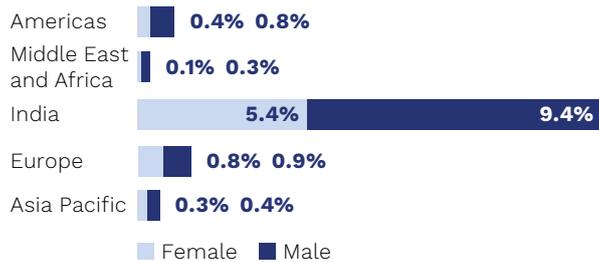


* New employee hires from a region/total number of employee hires.

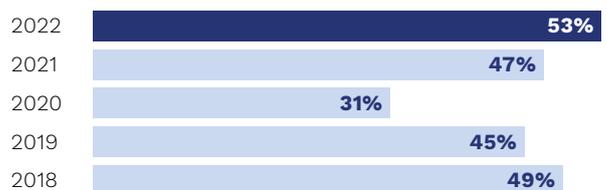
By gender and employee level



Rate by region and gender



Open positions filled by internal candidates (internal hires)



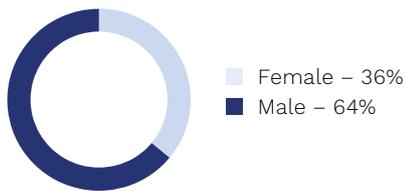
By race (US only)



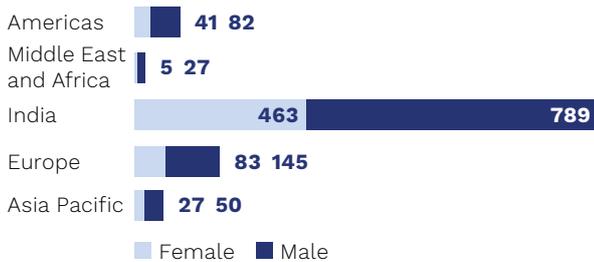


Employee turnover

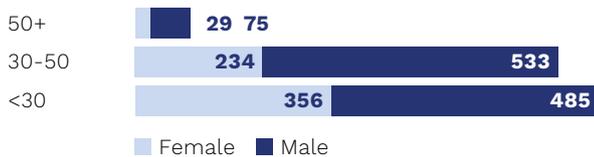
By gender



By region and gender



Rate by gender and age



By region*

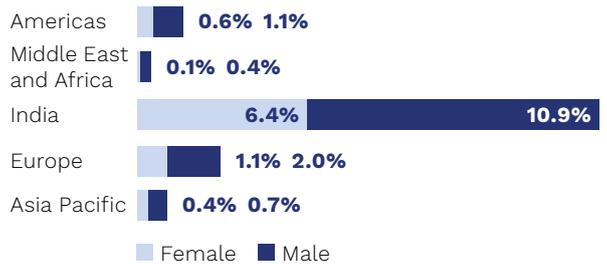


* Leavers at a region/total number of leavers.

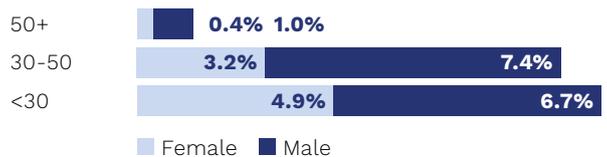
By race (US only)



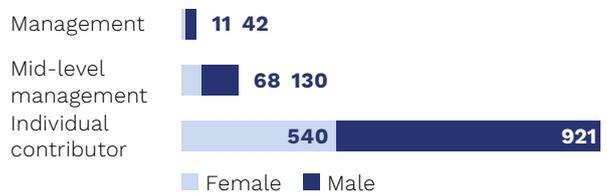
Rate by region and gender



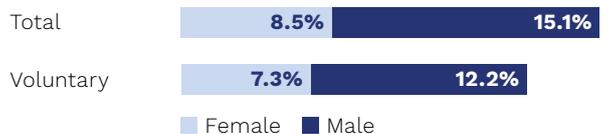
Rate by gender and age



By gender and employee level



Turnover rate by gender*



* As per GRI, turnover rate refers to the proportion of employees who leave over a set period (often a year), expressed as a percentage of the total workforce.



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Diversity dashboard continued

Employee turnover continued

Although the overall percentage of voluntary attrition only declined marginally in FY-22 from FY-21, there was a marked sequential reduction in voluntary attrition in FY-22 from Q1 to Q4.

Turnover rate

	FY-19	FY-20*	FY-21	FY-22
Total employee turnover rate	11.1%	17.9%	21.5%	23.6%
Voluntary employee turnover rate	8.5%	9.9%	19.8%	19.5%

* Includes employees turned to external contractors (HCL Project).

Voluntary employee turnover rate

FY-22	19.5%
Q1-22	23.8%
Q2-22	20.1%
Q3-22	16.8%
Q4-22	14.6%

Equal pay and gender pay parity

As part of our diversity and inclusion plan, we have a commitment to transparency and constant improvement, as it relates to equal pay for equal work. We evaluate pay on an annual basis to address any gaps among the 39 different countries we operate in, based on a number of factors, including skill, tenure, gender and race. Every year we conduct an internal pay audit in order to continue to improve our internal process. As a high-growth company in the technology sector, we continue to expand the business through new business directions, such as cloud, which require a new skillset, and increased recruitment and training.

Temenos currently has a mean gender pay gap of around 36%, similar to other software companies, since the number of females as a percentage of total employees reduces as the seniority increases. We constantly monitor salary by country, role and band for internal equity and aim at improving the gender pay gap through transparent and effective action plans. In order to

ensure that employees performing the same work receive consistent compensation opportunities, we evaluate and refine our compensation programs annually across various talent segments (e.g. gender, race, ethnicity). As a result of these reviews, we are proactively identifying and addressing factors that may contribute to pay gaps.

Through the annual salary reviews, we consider the cost of living per country so as to ensure that all Temenos employees get paid not only higher than the minimum, but also higher than the living wage*.

Temenos publishes the UK Gender Pay Gap Report which analyzes the difference between the mean and median earnings of men and women across our UK operations.

* For the UK, it refers to the living wage as determined by the [Living Wage Foundation](#). For Ireland, it refers to the living wage as determined by the [Living Wage Technical Group](#). In all other jurisdictions, it refers to a wage which is higher than the legal minimum and takes into consideration all relevant living costs.

Women per pay quartile (%)

Pay quartile	Management	Mid-level management	Individual contributor	Total workforce
Top	19%	29%	25%	24%
Upper middle	23%	24%	34%	30%
Lower middle		42%	42%	42%
Lower		45%	46%	46%
Women in total workforce	19%	30%	38%	36%



Inclusive culture

Accelerating our diversity journey forward

The technology industry, among others, faces a gender diversity problem. As a global company with presence in many countries, we are committed to advancing gender diversity in our operations, value chain and community investment programs. As part of our diversity and inclusion strategy, we are actively recruiting and retaining qualified women, while supporting them in their career development, with the aim of achieving an equal representation of male and female employees in our Company. The principles and goals of the Universal Declaration of Human Rights are at the center of our diversity initiatives.

According to the latest [Global Gender Gap Report 2022](#) by the World Economic Forum, it will take another 132 years to completely close the global gender gap, which has been closed by 68.1% in 2022. Women have not been hired at equal rates across industries, despite an increase in the proportion of women in leadership positions over time. In particular, only 24% of leadership roles are held by women in the technology industry. At Temenos, 43% of top management positions (one level away from CEO) are held by women.

Although the STEM workforce (science, technology, engineering and math) has grown rapidly in recent decades, the share of women is uneven across STEM job types. In 2021, an analysis of US government data conducted by [Pew Research Center](#) disclosed that women remain underrepresented in engineering (15%) and computer (25%) occupations.

And this is still linked to sectors and skills traditionally associated with men. So, the interventions have to start from school all the way up to women's career development. Despite successfully completing their studies in a technology-related field, most women end up not following a career path in technology. In school, STEM subjects – science, technology, engineering and math – tend to be marketed heavily towards boys rather than girls, according to [European Women in Tech](#). Global skills taxonomy presented in the [Global Gender Gap Report 2022](#) reveals a major gap in digital and technology training. Specifically, only 30% of enrollments to “Technology Design and Programming” and 29% of enrollments to “Technology Use, Monitoring and Control” online training are women.

At Temenos, the female representation in STEM-related positions is at 35% (as of end of 2022). We have developed a strategy to attract and retain women in STEM-related roles, focusing on the following directions:

- through our detailed [Diversity dashboard](#), we monitor closely and understand gender diversity in our Company;
- based on the insights and coupled with the Company's business directions, we draft diversity policies internally, focusing on five areas: Recruitment, Retention, Pay, Advancement and Representation, for a more gender-balanced work environment;

- we work with schools and universities to fund girls through targeted scholarships to study STEM and motivate them to eventually join the tech industry;
- we also provide job opportunities to build work experiences, internships and mentoring programs that would encourage women towards tech after graduation; and
- we walk the talk and lead by example, by showcasing women in managerial positions as Temenos female role models, offering women the opportunity to progress and succeed in senior roles.

At Temenos, we are committed to increasing gender diversity globally to 36% by 2025 and 40% by 2030, as well as to increasing racial diversity in the US to 40% by 2025. And we are extremely satisfied to see that with our diversity strategy put in place as early as 2014, today we have reached our targets. At the Company level, the female representation in the total Temenos headcount is at 36%, while the racial diversity in the US is at 41% (as of end of 2022).

We have focused as early as 2014 on gender diversity in the IT workplace and have invested in an equal opportunity environment for both men and women. Our Executive Chairman and acting CEO has the executive oversight for diversity issues throughout the Company, signaling the importance of gender diversity and leading by example. Our interventions are focusing on five areas: Recruitment, Retention, Pay, Advancement and Representation. Our global, regional and local People teams use quarterly analysis to identify and address challenges, reviewing gender balance and discussing key initiatives to increase the proportion of female employees. The [CSR and Ethics Committee](#) is updated regularly on progress and approves the directions.

Achieving gender equity in the workplace, at all levels, remains a significant challenge for most businesses. We understand that change takes time, particularly for the initiatives that encourage women to choose a career in IT, which will ultimately improve gender diversity. We are committed to communicating internally and externally the importance as well as the benefits of gender diversity, designing targeted interventions and monitoring progress over time.

Empowering our people

All employees have a role to play in building and maintaining a diverse and inclusive culture. Our employees, by sharing their backgrounds, interests, or concerns, can connect, embrace their differences and make them forces for positive social and cultural change. By forming employee-led and run groups, they ensure that Temenos is a "safe" place, where everyone can bring their true selves to work every day and work to leverage our diversity as a catalyst for innovation.



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Inclusive culture continued



Women@Temenos

We continue to be committed to increasing the representation of women in Temenos at all levels, functions and locations, as well as to creating a strong network of women and allies to support one another across the organization. In 2022, a new structured committee of volunteers revamped the Women@Temenos employee resource group. Composed of eleven employees, organized in three committees – events, social engagement and strategy – and headed by two chairs, the group ignited and instated a strong framework and cadence, supporting our objectives of gender diversity and inclusion.

Over the course of nine months, the group was responsible for:

- a revamped social channel, building an online community of 580+ women and allies;
- global monthly interviews (Career Fireside Chats) with senior female employees, sharing their career advice and how they've navigated work-life balance and the challenges faced in the workplace;
- weekly short interviews from female employees (Monday Motivation Rapid Fire);
- an online workshop with a career coach on the topic of "Brave communication: increasing your impact"; and
- a Breast Cancer Awareness campaign: local walks and fundraisers across 30 cities, engaging over 300 employees, raising USD 15,000, matched by Temenos.

Employee communities

Employee communities are networks of employees that form based on shared characteristics or background, sponsored by the organization they work for. Usually, EC members share common needs in the workplace. The groups advocate for themselves and in addition to fostering their own professional development, often become a valuable resource to their employers, providing information about their identities, performing community outreach, opening new networks for recruiting, supporting business objectives and serving as a visible sign of their employers' commitment to a diverse and inclusive workplace. All of these communities will reflect the unique culture, mission and strategic objectives of Temenos.

The employee communities will be led by our employees at all levels. Some of the areas of interest suggested to date are:

- disability;
- veteran status;
- LGBTQ+ identity;
- race;
- ethnicity and culture;
- religion (interfaith groups, single religion);
- age (recent graduates, Millennials, over 60s);
- family structures (working parents, single parents, adoptive parents);
- new hires;
- job responsibility; and
- hobbies.

Elimination of discrimination and prevention of harassment

Temenos is proud of the diversity of its people and believes in an equal employment opportunity for all. The work environment at Temenos is free of any type of harassment based on race, religion, national origin, ethnicity, color, gender, age, marital status, sexual orientation, gender identity or disability, or any other personal traits or characteristics that are not work related. Any behavior contrary to this principle will not be tolerated.

This forms a part of our [Business Code of Conduct](#), which is publicly available and all employees have to read and acknowledge when joining the Company and annually after that. All employees are required to complete anti-harassment training annually, as part of the [Business Code of Conduct](#) mandatory training. Through the respective communication channels, as communicated in the Code as well as through our People department, employees are encouraged to report any concern of discrimination and harassment. Any retaliation with regard to any such report is strictly forbidden. In case a concern is raised or detected, an internal independent investigation will be launched as quickly as possible, which will be conducted carefully and with full discretion and any corrective or punitive action taken, if appropriate, will be subsequently reported directly to the Board. Our anti-discrimination and anti-harassment policies apply to employees and contractors, as well as suppliers, Partners and clients. In 2022, we launched a "working with integrity principles" policy that covers bullying or harassment of or by anyone engaged to work at Temenos and also by third parties such as customers or suppliers. The policy encompasses bullying or harassment that occurs in the workplace and also out of the workplace, such as on business trips or at work-related social events.



Freedom of expression and privacy

We believe that access to information technology can support greater freedom of expression, which in turn depends upon the right to privacy if it is to be exercised effectively. We respect people's right to freedom of expression and their right to freedom from arbitrary and unlawful interference with privacy online. We ensure this through our Code and the respective privacy policies.

Against forced and child labor

At Temenos, we condemn forced or compulsory labor practices. We comply fully with local minimum age laws and requirements and do not employ children. We ensure this through our global and local People and recruitment policies.

Freedom of association and collective bargaining

As stated in our Business Code of Conduct, we respect the right of our employees to join or not to join trade unions or similar external representative organizations as defined in the ILO Declaration on Fundamental Principles and Rights at Work, while we engage in a constructive dialog with employee representatives. Local employment laws and practices, collective bargaining agreements and individual contract terms are followed. Where mandated by local law, we have 100% employees

covered by collective bargaining agreements. We provide policies and communication channels for hearing and addressing the concerns of our employees and resolving their issues in an open, fair and transparent manner. Freedom of association and collective bargaining is a fundamental principle, which is respected and valued by the Company for all of its employees. We comply with all relevant collective bargaining agreements in countries where we operate. We follow as a minimum the local law requirement; we also require subcontractors to comply with all relevant collective bargaining agreements and to provide documentation of compliance. All Temenos employees based in Brazil, France, Spain and Romania are covered by collective bargaining agreements that cover various topics such as health and safety, working conditions, talent and development, discrimination and harassment. In France, Germany and Luxembourg, employees maintain work councils and health and safety committees. The local People departments work as an enabler to make sure that all agreements are followed through as agreed. Working conditions and employment terms are not influenced or determined based on collective bargaining agreements for Temenos employees based in countries except for Brazil, France, Spain, or Romania.

Country	Employees covered under collective bargaining agreements	
	No.	%
Brazil	9	0.12%
France	59	0.81%
Spain	25	0.35%
Romania	188	2.59%
Total no. of employees	281	3.88%



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Employee experience

Learning and development

Listening to what our people have told us while focusing on the greatest asset we have, our people, we have considered very seriously and the results of the Employee Engagement Survey conducted in 2022. In this context we have developed a single gateway, the Temenos Learning Hub, as a one-stop shop for every employee to navigate through the different learning resources available in Temenos. Not only internally but also in the context of the external learning ecosystem, we have empowered our people to benefit from a variety of learning resources available to them, always with a focus on improving the employee experience, fostering personal development and maintaining a learning culture for all ranks within our organization.

In Temenos we believe that the learning culture has been constantly evolving and that the industry trend is going towards a significantly different approach, with formal (in-class) physical training being the exception rather than the rule. Decreasing our travel needs for learning and minimizing our carbon emissions in relation to traveling for learning activities, we have focused our efforts on virtual learning programs such as webinars, e-learning courses, online programs and other channels of knowledge transfer which have been very well perceived by our people, nicely tied to our corporate strategy. Providing the flexibility to learn at their own pace and time, the response from employees has been extremely positive and these learning programs are constantly taking place across different geographies, functions and topics, including soft and hard skills initiatives.

As part of our people’s Annual Performance Review, all Individual Plans have been enriched with an official learning component and we have listed a variety of training resources for team leaders as well as team members to leverage on. Our training resources might include but are not limited to:

- external resources:
 - a large variety of external courses in cooperation with our Microsoft Partner, LinkedIn learning;
 - a thorough vendor list provided to all people managers with suggested vendors as reputable training providers;
 - specially designed online platforms for technical training such as CloudAcademy, PluraSight and SimpliLearn; and
 - Partner learning platforms (e.g. Microsoft, IBM, RedHat) for Temenos employees to get trained in specific technologies; and
- internal resources:
 - an artificial intelligence bot, guiding our learners to the appropriate learning resource;
 - Temenos Learning Community, with a huge selection (>600 items) of technical learnings (virtual instructor led and recordings);
 - Temenos Knowledge Center, Seismic and Temenos Docs, as collaboration platforms leveraging on peer-to-peer and learning;

- a series of technical webinars titled Getting Back to Basics and various Solutions Sales Playbooks for upskilling employees; and
- live conferences such as TKO (Temenos Kick Off) and TCF (Temenos Community Forum) where employees share best practices, learn about new trends and get trained in explicit themes in the banking software industry.

By December 2022, we achieved 82 hours of average training per employee, excluding on-site coaching and feedback by people managers and other development activities not recorded in our systems. The average training cost for the same period was USD 4,431.

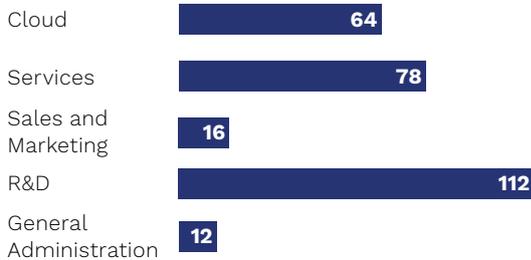
The annual recorded average training hours by gender, function, age group and employee level are shown in the figures below.

Average training hours

By gender



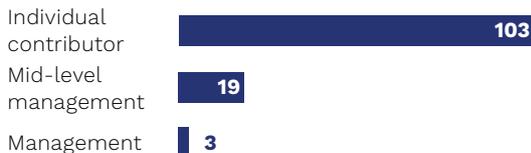
By function and age



By age group



By employee level





Leadership development training

In 2022, there was a lot a lot of focus on leadership development too. Together with an external provider known as "Thomas International", we offered two different leadership development sessions for our 30 people managers globally. We have targeted two different types of people managers and created two separate cohorts, one aimed at newly promoted managers and the second one at established leaders with the aim to unleash their potential. As part of the sessions, people managers conducted DISC assessments to understand their leadership style and improve their self-awareness. They also learnt theories and practices on how they can modify behavior to improve performance, discover their preferred leadership style and modify their behavior depending on the person and the situation, as well as reviewing their emotional intelligence blueprint. All those exercises resulted in the creation of personal action plans. The training was very well received with positive feedback coming out of the sessions.

People analytics training

At Temenos we are investing and focusing a lot on upskilling and reskilling the People teams as part of our effort to stay in touch with state-of-the-art HR trends as well as learn about best practices based on what winning organizations are doing. Our ultimate aim is to retain our top People talents by developing them and improve the employee experience, improve our performance and become even more strategic while addressing the business needs and priorities. In 2022, we partnered with a company called Insight222 to provide People Analytics training to the People team as part of upskilling and reskilling the teams across the globe. Together with Insight222 we've built a full year blended learning program that included virtual learning as well as self-learning through an online platform with 40 training courses and more than 1,200 pieces of curated content. The 30 People employees that took part in the certification had a dedicated learning path to follow and two virtual bootcamp sessions facilitated by Insight222 to further deep dive in the key learning areas, as part of our focus and strategy to take the team to the next level of understanding and analyzing people data as well as creating powerful storytelling and business cases to support the Company's growth.

Performance management

To accommodate business changes, in 2022, we held the performance management process in Q2 and 4,840 eligible employees participated in it.

Building on the success of previous years, we continue to provide updates and enhancements to our performance management process, tools and philosophy. By delivering a comprehensive performance program, we empower our employees to own their development, while we recognize and reward strong performance through our guiding principles:

- **trust:** building and maintaining trust between managers and employees to support learning and career development;
- **transparency:** in-role expectations, performance expectations and ratings, promotion criteria and development feedback;
- **objectivity:** to reduce bias in the performance assessment process and standardize our approach globally; and

- **propel and value performance:** to drive high-performance practices across the organization and motivate employees to set and achieve challenging goals. The process also aims to value and recognize employee contributions commensurate to the business and value delivered.

The number of employees who received career progression during the performance management process as well as the number of employees whose performance has been reviewed are reported by gender and by function below, while Temenos offered the remaining people with career developmental feedback/learning opportunities. In addition, throughout 2022, there was out of cycle career progression as shown below, which reflects our investment in our employees' career growth.

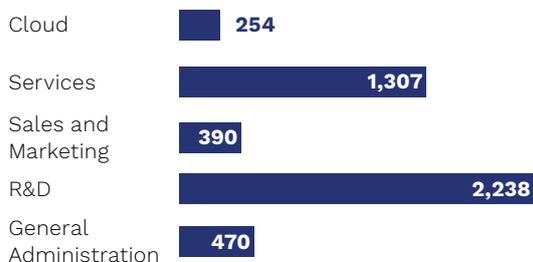
During talent review cycle – 2022

Talent review communication

By gender



By function

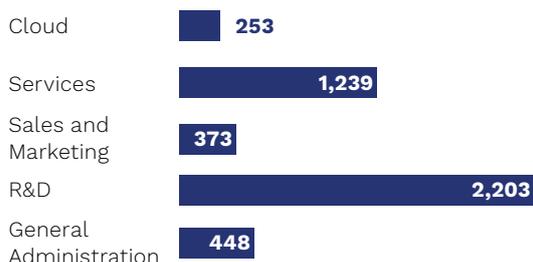


Career progress

By gender



By function





Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Employee experience continued

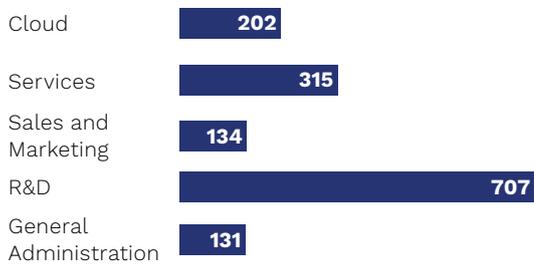
Out of talent review cycle – 2022

Talent review communication

By gender



By function

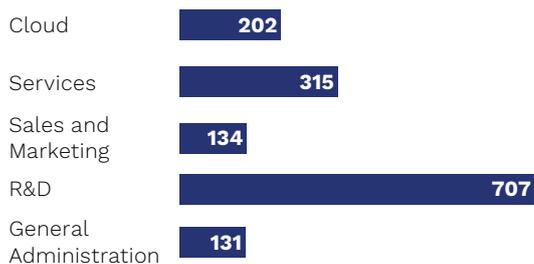


Career progress

By gender



By function



Talent cards

In 2022, we launched "talent card" discussions with people managers regarding key talents in their teams. The talent card contains details about our high-performing employees not only on performance, but also on potential, development needs, flight risk, and perception on professional growth. Talent cards help us to collect, revamp, tailor and expand our talent development initiatives as well as track retention of these top talents.

Mentoring

In 2022 we developed a new mentoring program by partnering with a third party cloud platform, known as the "Together" Platform. Our aim was to provide an end-to-end user friendly, modern, approachable and personalized experience. To develop our mentoring program we have considered and analyzed our internal needs. In June 2022, a pilot program was initiated where 50 employees were invited to participate. Communication materials, how-to guides and informative sessions were developed in order to educate mentors and mentees on their roles and set up expectations. Mentees had the opportunity to select their mentor based on the skills that they wanted to develop, their developmental goals and functional expertise. This mentee-led breakthrough approach on mentoring run successfully for four months with the satisfaction rates of our mentees scoring as 4 out of 4. As an outcome, the program will be launched to the whole organization globally in 2023.

360° feedback survey

360° feedback is a developmental tool through which employees receive confidential, anonymous feedback from the people who work with or for them. The 360° feedback questionnaire was developed in 2022, by aligning the Temenos values with 15 leadership competencies. A full internal certification process took place within the People team where 21 members were trained on how to conduct and deliver 360° feedback from internal and external trainers. The questionnaire, feedback report and overall process were also piloted by using the same population. 360° feedback has been developed into the Qualtrics cloud platform, ensuring confidentiality and anonymity, but also warranting a great employee experience by using a tool the organization is familiar with. Moving forward, in 2023 this will be rolled out and offered to all Temenosians globally. This feedback will be used from our employees and their people managers to create and drive individual development plans by focusing on each individual's growth needs and career aspirations.

Talent mobility

The global talent mobility guidelines outline the eligibility criteria for talent mobility and the roles and responsibilities of those involved and provide a step by step guide to support our employees through every stage of the process. We believe that through talent mobility, we can support our people's career progression, help them achieve their goals and drive our business forward. In 2022 we launched "Get that GIG!" as a program to help employees discover different areas of the business or engage in projects for a short time and in parallel with their day-to-day activities.

Career week

In 2022, we continued the tradition of career week by organizing two events throughout the year. These events aimed to provide our employees with an in-depth look at our various teams and colleagues across the organization and regions. Over 1,100 people attended the second edition and over 1,600 attended the third. The event will remain on our list of programs that we offer to our employees in order to raise awareness about talent mobility, upcoming projects and career advice from our leaders.



Employee engagement

Listening to our employees helps us drive our strategy, shape our initiatives, improve processes and create a better employee experience.

The Executive Chairman and acting CEO and executive team share regular communications at a global level, while employees receive regional and functional communications covering both strategic and operational topics. We use Microsoft 365 tools and other channels to communicate and engage with employees, including a SharePoint intranet, Yammer, video updates, targeted newsletters, townhalls and live-streamed events with leaders and internal surveys.

To ensure that we are offering our employees a seamless employee experience, we have been partnering with Qualtrics since 2021 to better measure employee engagement. Scores from our 2021 survey were used to inform positive change across our business, from the roll out of enhanced personal care and professional development benefits, to improving our workspaces and ways of communication, as well as to the roll out of new training opportunities and our Learning Hub.

2022 key highlights

One global cloud-based platform: Qualtrics

Frequency: Annually

2022 survey design: 51 questions in 15 categories offered in 5 languages

2022 analysis and reporting: Received 5,945 responses (65% from male and 35% from female employees)

Confidentiality and anonymity commitment: Survey responses are stored in third party Qualtrics servers, in alignment with GDPR and industry standard security policies. This ensures that all responses remain anonymous and confidential to continue with our commitment under the Safe Harbor certification.

Our strong communication and engagement plan delivered great results with an increase in our response rates in 2022, which were 9% higher than in 2021 and above average for our industry and the global norm.

Temenos leaders are committed to listening and actioning on our employees' feedback. That is why we conducted several enablement sessions in partnership with an external third party, to analyze and explain the results, share best practices and support people managers in developing and registering action plans.

Our employees' feedback showed a growing confidence in the survey, with nearly 80% of respondents believing positive action will come as a result of it, which is far above the global norm and the industry standards. Some of our top performing categories, as per our employees' inputs, are around engagement, Company leadership, recognition and inclusion, and work processes.

Moving forward, we will be focusing on the creation of action plans to address our areas of opportunity. For example, we need to do more to help our employees understand our transition to SaaS first and their personal role in this journey, but also continue our focus on our compensation and benefits policies.

	Unit	FY-18	FY-19	FY-20	FY-21	FY-22
Employee engagement	% of actively engaged employees	62	62	67	68	71
Data coverage	% of total employees	85	85	51	73	82

Notes:

- The survey was conducted every two years until 2020, so the value of the previous year is duplicated.
- Data coverage is not comparable due to survey format change from annual to always-on in 2020. Average response rate confirmed by Gartner is 50%.
- In 2021 we implemented Qualtrics and moved our Employee Engagement Survey to an annual basis.



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Wellbeing at work**Promoting health and wellbeing**

At Temenos, we are committed to supporting our employees' wellbeing and creating a healthy and safe work environment. The significance of a health and wellbeing focus at work was highly important in 2022, following on from challenges such as Covid-19 and other global events. In 2022, we continued to raise awareness on mental, physical, financial and social health.

Temenos' global as well as local People policies align with the overall strategic direction set by our Global Wellbeing team and support the health and wellbeing of our employees. We also encourage our employees to design actions and build groups on their own initiative that are tailored to their personal interests, time and work-life balance. These policies include:

- Recharge days;
- Wellbeing Weeks;
- hybrid work model, in order to balance work and personal life;
- international travel and medical insurance, including health screening;
- on-site and online team bonding and recreation opportunities;
- on-site recreational rooms and stress management programs;
- energy corners with healthy office snacks;
- learning and development programs focusing on mental health and wellbeing at work;
- multiple channels of internal communication and engagement with our employees across countries and at all levels;
- recognition of their work and contribution and opportunities to learn more about Temenos and spend time with the leadership team; and
- employee engagement in community service and on-site and online volunteering projects.

We believe that supporting the health, wellbeing and happiness of our employees is crucial to the future success of Temenos. That is why we will continue to make improvements to the employee experience. We are reviewing annually the feedback we get from our internal Employee Engagement Survey and will keep listening to the feedback we gather at our live events and in our one-to-one conversations with our employees. We also intend to run a wellbeing survey early in 2023 to inform the coming year's wellbeing program. We want to ensure that the Temenos employee experience is a positive one. For more details on our 2022 wellbeing activities, please refer to our [corporate website](#).

Supporting our employees as their families grow

To accelerate representation and improve the experience for everyone, we have re-imagined our policies, benefits and leave programs that contribute to an inclusive work environment where all employees feel they are valued and have equal opportunities.

We believe that supporting our employees' health and happiness is crucial to their success and to Temenos' future so we have a range of benefits in place to support Temenosians in the good times and the bad. These benefits apply as a minimum global standard, but where local statutory allowance exceeds these, they still apply.

Maternity policy

Minimum paid maternity leave comprises 20 calendar weeks at full pay, with no minimum tenure required. We allow a gradual return to work (from the date the employee decides to return), starting at three days per week for the first month, four days per week for the second month and returning to five days per week from the third month onwards, unless the employee is returning part time. These benefits apply to all mothers, including adoptive and foster mothers.

Paternity policy

Minimum paid paternity leave comprises two calendar weeks at full pay, with no minimum tenure required. We also allow a gradual return to work for new fathers, starting at four days per week for the first month after their return and returning to five days from the second month onwards. These benefits apply to all fathers, including adoptive and foster fathers.

Parental leave

Employees on parental leave in 2021	352
Employees who returned to work after parental leave ended	317
Employees who returned to work after parental leave ended and were still employed 12 months after their return to work	216
Return to work rate of employees on parental leave	92.4%
Retention rate of employees on parental leave	68.1%

Marriage and civil partnership leave allowance

We grant one week of paid leave for marriages and civil partnerships, including same-sex/civil partnerships.



Giving time when our family needs us most

We appreciate that there will be times when our employees' personal needs and those of their families far outweigh the demands of their work life. So, we have extended our family care leave policy to support them to take time off when either they or their family needs it the most. We support our people to take up to four weeks of paid family care leave, in the case of bereavement or critical illness of their immediate dependent (spouse or child) or a parent or anybody for whom you are a primary caregiver. This leave is also available to mothers following a miscarriage or abortion. Our employees can also take up to two weeks of paid family care leave to focus on fertility treatment or surrogacy. Women going through menopause can take up to two weeks of additional paid leave per year.

Supporting professional development

Supporting our employees in developing their professional skills and advancing towards their career goals is critical to Temenos. We understand that it can be challenging to find time to dedicate to this, while managing the demands of their day-to-day work. This is why we give the option to our employees to take up to two weeks of paid leave each year for study or personal development to support them in their current role and help them gain the skills they need to grow. This includes higher education and any relevant skill-based courses.

Recharge days

In order for employees to perform at their best, it is important to take some time to "recharge" their batteries and rebalance their bodies and minds. Temenosians are encouraged to take four days per year to use as recharge days when physically or mentally needed.

Sabbaticals

At Temenos, we value tenure and loyalty. We also understand that our employees have personal goals and commitments outside of work and might enjoy the opportunity to take some additional time off. Therefore, employees are encouraged to take up to two months of unpaid sabbatical leave after five years of service, up to four months after ten years and up to twelve months after twenty years of working with us.

Rewarding for attracting new talent

We believe that our people are the most effective recruiters. We encourage our employees to invite new talent into our business through their personal network. According to our referral award policy our employees are eligible to receive a monetary reward between USD 500 and 8,000 for referring a new Temenosian. The value of the reward will vary depending on the candidate's band and location, as specified in our referral award policy. The timescale for payment is one-month tenure of the new recruit.

Hybrid working

The flexibility of working from home can enhance work-life balance. At the same time, we believe that we are stronger together at Temenos. Working from the office supports our ability to collaborate, build connections and learn from each other. The hybrid working model we introduced in 2021 is designed to bring the best of both worlds. In addition, it is a major step towards creating a more inclusive organization, as the "ability to travel daily to an office" is not the most important qualification for employment.

Temenosians can opt to work from home up to two days per week. This policy is applicable to all permanent Temenos employees. Any unutilized days cannot be carried forward to the following week or month. Some roles may not be considered eligible to work from home due to the nature of the job or the stage of learning someone is in. Such examples include but are not limited to employees who are new to Temenos (should complete 12 months in the organization before they can take advantage of the hybrid model) as well as employees whose role requires a physical presence in the office or face-to-face contact at clients' premises.

Working from anywhere

Temenos encourages flexibility; therefore we provide our employees with two weeks per annum year to work remotely from anywhere. Temenosians are able to extend a holiday or business trip or choose to work from a different location than they normally work. We also encourage them to visit the local office, network, meet new people and get a taste of another Temenos office if they work in the same city.

Welcome kits for new joiners

This year, as part of our focus to standardize and enhance the employee experience across Temenos, we have offered about 1,700 Temenos branded kits to our new joiners in order to welcome them properly. The welcome kits have been shipped over to more than 50 different locations across the world and include tote bags, caps, wireless chargers, sunglasses, notebooks and pens. This initiative was very well regarded by our employees who posted photos on social media platforms as well.



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Wellbeing at work continued

A meaningful gift for new parents: From Babies with Love

In 2022 we partnered with the organization "From Babies with Love" to provide gifts to Temenosians who become parents. From Babies with Love is a social enterprise and a purpose-led brand. Its vision is that every child grows up in a loving family. Thus, it donates 100% of its profit to vulnerable children. Together with From Babies with Love, we can help provide family homes, education, healthcare and support to overcome trauma. This enables children who would otherwise be left to fend for themselves to have a second chance in life.

Supporting global mobility

As a software company, we rely heavily on our people to conduct our business. International mobility forms an integral part of our service delivery to clients and our strategic plans for growth. Temenos supports international mobility to any of the 39 countries we operate in by having a Global Mobility policy in place and a dedicated team to manage all relocation aspects for our existing and prospective employees. Within a sustainable talent mobility process, we are exploring the challenges and opportunities to align policies and practices, through more conscious awareness of the relocation decisions associated with international work arrangements.

Our strong Global Mobility program helps the organization to tap into a significantly larger talent pool, with more various skill sets, levels of seniority and life experience. This can significantly improve the quality of our hires and it is a proven retention mechanism to curb attrition of talent at Temenos. Mobility is also ensuring the right leadership talent pipeline is in place and addressing key skill shortage in critical markets. Gaining the international experience is one of the best ways for our employees to reach the senior management positions.

We are committed to protecting key talent by strategically deploying them from stagnant markets to the ones that are having active projects. Through our Global Mobility program, we enable the continued globalization of functions and business activities.





Awards and recognition

Employee recognition

Our people and culture are what propels us forward as we continue to deliver on our vision to transform the banking industry. Our recognition programs are an opportunity to celebrate the contributions of Temenosians from across the business, not only for performance excellence, but also for the achievement of our social, environmental and climate-related targets. The nominations are related to our Temenosity values, Care, Commit, Challenge and Collaborate, reaching key milestones or going above and beyond the role requirements. Everyone is invited to nominate their colleagues and peers. Our employees are highly encouraged to be inclusive and consider those in roles that are less visible but still make valuable contributions.

Temenosian award

The annual Temenosian Award celebrates Temenosians who have made an exceptional contribution to our business and helped us to achieve our ambition to be Everyone's Banking Platform. These Temenosians exemplify everything it means to work at Temenos. They are passionate about making banking better and they use their skills and influence to have an impact. These individuals also act as role models and embody our key values. 18 winners in 2022 enjoyed this award which includes both monetary and also non-monetary recognition. For the non-monetary recognition, winners are invited to our Temenos Kick Off (TKO) event and are being celebrated through dedicated communication globally.

Quarterly GEM awards

The quarterly GEM "go the extra mile" awards give each employee an opportunity to show their appreciation for the outstanding contributions their peers make, by sharing stories of collaboration, innovation, inclusivity and willingness to go the extra mile. Nominations are made at any time throughout the year in alignment to our Temenos values. GEM winners are announced on a quarterly basis on internal communication channels (emails, intranet, etc.) and they receive a monetary award along with an e-certificate. More than 850 employees receive this award annually, representing a great mix of regions, gender, tenure and departments.

Temenos Badges

This award category is part of a daily recognition scheme where Temenosians are encouraged to thank and recognize each other for small or bigger achievements. Value Badges are online recognition templates each representing our Temenosity values. They are given/received as an acknowledgment of additional effort and outstanding behavior or for being role models and going above their day-to-day role.

Temenos fellows

Temenos is proud to recognize people who have made an outstanding contribution to the Company through its Fellowship Program, which was founded in 2022. For more details, please refer to our dedicated page on our corporate website.

Temenos keys

The Temenos KEY program was designed to emphasize Temenos values and celebrate our motto: People are the key. The KEY represents a reminder to all of us that in our business what counts is people, human endeavor and respect for each other. We are a team; we are proud to be part of Temenos and wearing the key embodies our philosophy. For more details, please refer to our dedicated page on our corporate website.

The Club

The Club celebrates our top performing Sales and Business Solutions colleagues from around the world in a unique way – a trip with our Chief Executive Officer. In previous years, the Club awardees traveled with their partners to Scotland, Iceland, Vietnam, Barbados, Capri, Kenya, India and Morocco.

Revamping our recognition programs

To further enhance our employee recognition programs, we partnered with a third party cloud platform, Workhuman, to provide a more user-friendly, instant, global, end-to-end recognition platform. During 2022, we worked closely with the provider to get best practices from the industry and align them with our internal processes, strategy and stakeholders. Employees from HR, Finance, IT, Security, Privacy, Procurement, Legal, and Marketing collaborated in order to bring this project to life and provide a more meaningful and impactful experience to Temenosians in 2023. The new program is called T-Stars and will be replacing the existing GEM awards and Temenos Badges in 2023.

Employee value proposition/social media

LinkedIn Life page

In 2022, together with Temenos re-branding, the People and Marketing teams worked together to develop new refreshed content on social media that would reflect the essence of Temenosity. A lot of attention was put behind our [LinkedIn Life page](#) that was completely revamped to make sure we offer a look into our organization's culture and employee culture in order to attract new talent and also engage existing employees of the Company.

Alumni group

In 2022, we created a [dedicated page](#) on LinkedIn for all the ex-Temenosians around the world.

The aim of the page is to help former colleagues stay connected with Temenos and each other, keeping them updated on developments at Temenos and to enable continued learning across the broader Temenos community. As we like to say "once a Temenosian, always a Temenosian" and since last summer we have created this network of more than 800 former Temenosians who decided to join our group and stay in touch with Temenos. This group keeps growing and we have more plans in 2023 to focus on expanding it even further.



Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Human rights

As defined in the UN Guiding Principles on Business and Human Rights (UNGP), we are committed to respecting as well as promoting and advancing human rights within our organization. We are committed to avoiding causing or contributing to adverse human rights impacts through our own activities and seeking to prevent and mitigate adverse human rights impacts that are directly linked to our operations, products, or services by our business relationships, even if they have not contributed to those impacts. Our human rights commitment is an integral part of our Business Code of Conduct, mandatory related training and ethical business conduct program, as well as the Supplier Code of Conduct and supplier performance and risk assessment processes of our Global Procurement policy and procedure. It clearly outlines the requirements for our own operations (employees, direct activities, products, or services) and for our suppliers and Partners, as well as the actions and procedures we undertake to meet our commitment. We expect our employees, Partners, suppliers and clients to share this commitment to ensure that the IT sector and our business respect and promote human rights.

Temenos has developed a due diligence process to proactively and systematically identify potential issues relating to respecting human rights issues and where

they could occur in our own operations, value chain or activities related to our business and manage them. Our cross-functional Human Rights Working Group oversees our human rights strategy, helping to coordinate our efforts to identify and mitigate human rights risks in our own operations and our value chain. The results of these efforts are shared with the CSR and Ethics Committee, the Executive Committee and the Board of Directors.

Our human rights due diligence process covers various issues. We perform internal audits on a regular basis at a global level to identify potential human rights risks, while taking mitigation and remediation actions as required.

In 2022, we renewed our compliance with the UK Modern Slavery Act by issuing a Slavery and Human Trafficking Statement where we outlined 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. In addition, we have addressed both our own and our suppliers' impact on human rights in our Business Code of Conduct and related training and Supplier Code of Conduct as well as the supplier performance and risk assessment processes of our Global Procurement policy and procedure.

Forced labor	Child labor	Collective bargaining agreements
<p>Groups at risk Temenos employees and third party employees</p>	<p>Groups at risk Children</p>	<p>Groups at risk Temenos employees</p>
<p>Objectives A work environment relieved of forced or compulsory labor</p>	<p>Objectives No Temenos employees younger than 18 years old</p>	<p>Objectives All Temenos employees have the right to participate in collective bargaining agreements</p>
<p>Management and mitigation actions</p> <ul style="list-style-type: none"> Specific section against forced labor included in Business Code of Conduct All Temenos employees and suppliers get trained and acknowledge Business Code of Conduct on annual basis Employment contracts Background checks in recruitment process 	<p>Management and mitigation actions</p> <ul style="list-style-type: none"> Specific section against child labor included in Business Code of Conduct All Temenos employees and suppliers get trained and acknowledge Business Code of Conduct on an annual basis Employment contracts Background checks in recruitment process Reporting as per GRI 408-1 	<p>Management and mitigation actions</p> <ul style="list-style-type: none"> Specific section for collective bargaining agreements included in Business Code of Conduct All Temenos employees and suppliers get trained and acknowledge Business Code of Conduct on an annual basis Reporting as per GRI 2-30



Discrimination

Groups at risk
Temenos employees, third party employees and women

Objectives
No discrimination in the workplace nor in supply chain

- Management and mitigation actions**
- Specific section against discrimination included in Business Code of Conduct
 - All Temenos employees and suppliers get trained and acknowledge Business Code of Conduct on an annual basis
 - Monitoring workforce diversity through Diversity dashboard
 - Gender and race (US only) diversity targets
 - Supplier Diversity Framework

Harassment

Groups at risk
Temenos employees

Objectives
No harassment or bullying in the workplace

- Management and mitigation actions**
- “Working with integrity” policy
 - Robust anonymous reporting system

Health and safety

Groups at risk
Temenos employees

Objectives
Occupational health and safety in the workplace

- Management and mitigation actions**
- Internal audits on a regular basis to identify potential health and safety issues
 - Zero accidents in the workplace

Strategic Report

SUSTAINABILITY continued

Investing in Our People continued

Temenos Learning Hub

As a technology company, we invest heavily in learning and development of our people and building the skills they need to navigate in the world of new and emerging technologies. In this context, we have developed a single gateway, the Temenos Learning Hub, as a one-stop shop for every employee to navigate through the different learning resources available. From knowledge sharing platforms to external training and from technology-specific certifications to webinars on our software offering, the Temenos Learning Hub has consolidated a vast selection of courses and other learning assets in a user-friendly way, classifying resources by department and allowing all Temenosians to focus on what matters the most to them. Not only internally but also in the context of the external learning ecosystem, we have empowered our people to benefit from a variety of learning resources available to them, always with a focus of improving the employee experience, fostering personal development and maintaining a continuous learning culture for all ranks within our organization.

- At Temenos we believe that learning is constantly evolving and that the trend is going towards a significantly different approach, with formal (in-class) physical training being the exception rather than the rule.
- For that reason we have incorporated the approach of 70%-20%-10% where learning is happening every day (70%, on-the-go), from others (20%, peer-to-peer) and very little in a more traditional way (10%, in-class).
- Acknowledging that we have a huge selection of valuable learning resources, we combined everything under one single platform, the Temenos Learning Hub, where employees can navigate easily through a variety of amalgamated platforms and resources to find exactly what they need.



Empowering all Temenosians to excel through valuable and easy-to-use learning resources, all part of the Temenos Learning Hub.”

949

Average unique viewers every month since TLH launch (1 November 2022)

2,834

Average TLH visits every month since launch (1 November 2022)



Record click rate

for the TLH announcement in our corporate newsletter



5 Empowering Our Local Economies and Communities



2022 key highlights

12

computer labs in India

1

solar-powered innovation lab and green data center

1,200+

volunteers

34,347

students reached through the Adopt-iT CSR India program, since the program was launched



We contribute to a more inclusive world by investing in our local communities, while providing equitable and affordable financial services to all through the use of digital technology.”

Enabling access to financial services

Credit unions, savings banks, microfinance, community banks and other non-bank financial institutions are the foundation to sustainable financial inclusion and the development of healthy, sustainable local financial markets. At Temenos, we understand the need to strengthen and support community-based banking, through the provision of modern digital technology and services to strengthen their business to serve their communities and expand their outreach to the unbanked. We offer solutions that are appropriate to the market, transparent and inclusive, while facilitating emerging markets that are still cash dependent.

Investing in our communities

At Temenos we are looking for ways to go beyond financial resources and consider how to make best use of our assets, resources, expertise, advocacy and relationships to support and enhance local communities. In addition, we aim to align our community investment with our mission and the strategic issues of our business to create shared value. Last but not least, we collaborate with Partners in promoting local development and creating long-term benefits and sustainable results that can outlast Company support.

Contributing to the UN SDGs

We aim to encourage innovation and sustainable economic growth, gender equality and economic inclusion and women’s empowerment through technology. Our Adopt-iT program not only benefits communities outside our business, it reinforces our core values of operating responsibly and using our technology, expertise and resources for good within Temenos, inspiring many to dedicate their time to helping others.



Strategic Report

SUSTAINABILITY continued

Empowering Our Local Economies and Communities continued



Enabling access to financial services

It is easy to assume that with the world's digital financial services advancements that everyone today has a bank account. According to the World Bank's latest report, nearly 1.7 billion people are unbanked globally, one-fourth of the global population. The challenges that have an impact on the financial inclusion progress are:

- **Climate change:** People living in the poorest countries are also those hardest hit by the impacts of the climate crisis.
- **Education:** Learning losses from Covid-19 could cost this generation of students close to USD 17 trillion in lifetime earnings.
- **Energy:** Access to energy is essential to reduce poverty. Energy makes possible the investments, innovations and new industries that are engines of jobs, inclusive growth and shared prosperity for entire economies. Energy needs to be affordable, reliable, sustainable and modern (UN SDG 7).
- **Trade:** Trade is an engine of growth that creates jobs, reduces poverty and increases economic opportunity.
- **Conflict:** More than 40% of the poor live in conflict-affected countries. It destroys their livelihoods while discouraging further investment in their communities.
- **Health:** The Covid-19 pandemic increased pressure on already-stressed health systems and economies in fragile settings, with countries seeing their worst recession in five decades. Ensuring that every woman and child has access to healthcare is also fundamental to ending poverty and building economies.
- **Poverty:** The number of extremely poor people has fallen dramatically from 1.9 billion in 1990 to 689 million in 2017. Global extreme poverty dropped by an average 1% per year between 1990 and 2015, but fell by less than 0.5% per year between 2015 and 2017.

Temenos Financial Inclusion

Temenos Financial Inclusion is focused on financial institutions which provide banking services to people who are often excluded from mainstream financial services. It is used at over 300 client sites in 51 countries and offers a mature packaged version of Temenos software and implementation time as low as nine weeks. It is used by clients starting up with no customers or accounts, up to as many as 7 million accounts, all with the same configuration. Many NGOs went on to obtain full banking licenses because of the software and no changes were required.

Our solution is specifically aimed at the following financial sectors:

1. microfinance institutions;
2. credit unions;
3. community banks;
4. non-bank financial institutions;
5. small banks;
6. start-up banks; and
7. banks with financial inclusion initiatives.

Our Financial Inclusion strategy is to provide the same technology infrastructure used by modern digital banks in established financial markets to empower small financial institutions in emerging markets to compete and exponentially grow their customer base providing quality, affordable, digital financial services to the poor. Temenos provides the technology and expertise to build services to compete with the mobile network operators and fintech and commercial banks that are after the very valuable membership base that community banks and credit unions have developed over decades. It is essential that these community banks keep their customer spend within their own community banking network, generate new revenue and build on their greatest asset – the trusted customer relationship.

We do this as part of our mainstream business. We bundle our latest release Temenos core banking technology in a mature model bank for community and cooperative banking and provide access to integration and digital channels via cloud-based Software as a Service (or local). This gives smaller financial institutions subscription-based access to the same technology utilized by some of the world's largest and most advanced banks. In 2000, Temenos committed to microfinance, the precursor of financial inclusion. Temenos customized its then Globus Banking SW to construct a microfinance model bank as a "bank-in-a-box" for easy and affordable deployment. It served the various non-bank financial institutions that were experimenting with financial goods and services for the disadvantaged. Banks couldn't serve this market due to cost, culture and focus. With the expansion of terrestrial 2G and 3G mobile networks in most of the developing world, transaction processing costs began to plummet.



The mobile phone for voice and data transformed banking. Transactions and payments for the mass market opened. Over the past decade, mainstream banking, driven by Kenya's Mpesa and the huge commercial microfinance networks, has discovered transactional banking's promise for the poor. Throughout this journey, Temenos has led fintech discovery. Temenos is proud of being the first to transfer mainstream core banking technology to the cloud with Microsoft in Mexico, with five microfinance banks in 2011.

Temenos technology has helped every major microfinance network and most of the large mainstream microfinance institutions produce leading financial inclusion solutions. The inclusive banking industry no longer defines inclusion just as having a transaction account. Financial inclusion is "individuals and enterprises having access to usable and affordable financial goods and services that fit their requirements – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way," according to the World Bank. The only fintech in the Group that combines core banking and payments in a portfolio of solutions for the sector is Temenos. Temenos Inclusive Banking has developed beyond the typical microfinance end-to-end "bank-in-a-box" solution strategy to a larger digital transformation on payments. Payment digitization reduces market friction, especially in emerging nations where cost affects productivity and investment. Millions are excluded and business development is inhibited in high-density disadvantaged urban and peri-urban regions due to cost and risk of cash. In Sub-Saharan Africa (SSA), there are 120 SMEs per 1,000 people that create four out of five jobs in this sector, according to the International Finance Corporation of the World Bank Group. SME and SMME empowerment and growth are crucial to SSA's economic success. The World Bank says the sector's growth is mainly limited by access to credit and quality financial services.

Extending financial inclusion

The pandemic has stressed the continuing financial inequality. At the same time, it offered a real opportunity towards investing in a fairer and more inclusive global economy. The rewards for doing so go way beyond those directly affected, from increasing political stability to helping address climate change and from global GDP growth to contributing strong returns from a well-balanced portfolio.

People need a safe place to save and a source of financial services to finance their various stages of their life and to have access to investment for provident and productive purposes. It is said the best police officer is a homeowner. The same applies to the market economy. If the majority of people are excluded from the market economy, there is no foundation to the economy. People who have no stake in the economy have no reason to care about the success of the economy. Financial inclusion is fundamental to the social and economic stability of our global economy. Unlocking the potential of the individual to have meaningful participation and giving people a stake in the market economy provided a foundation for development. Fintech is central to this process. To bank, the poor have to be a market. Banking the poor has to be profitable and achieving this conversion from demand into effective demand for financial services requires very sophisticated use of data and ICT to drop the costs of high-volume, low-value transactions to create a competitive market for the business of the poor.

The Temenos experience has been a journey of discovery with our clients and Partners in a common mission to make a meaningful contribution to our community, our global economy and the lives of tens of millions of women and men that our technology has helped to serve. In many parts of the world, internet, cloud and mobile banking are unlocking this financial inclusion. Temenos will continue to lead with financial technology to continue this mission.

Our solution is capable of operating on a 24/7 continuous basis and is fully multicurrency and provides support for multiple languages according to user and customer records. It has inbuilt digital channel capabilities which can be delivered either using Temenos' solutions or by integration to specialized third party offerings. We address customers' goals and challenges through:



Strategic Report

SUSTAINABILITY continued

Empowering Our Local Economies and Communities continued

Investing in our communities

Having an active role in the local communities is one of our sustainability pillars. As a global corporation, we are committed to supporting and enhancing the quality of life in the communities where our employees, Partners and clients live and work. By using our technology and resources, offering financial support, sharing our business expertise as well as the passion, effort and talent of our employees and collaborating with clients and Partners, we provide the local communities with access to the benefits and opportunities technology creates and the skills to deploy it, thus making positive, measurable contributions to local communities, while responding in times of need.

Our approach

- Corporate monetary contributions.
- Corporate monetary contributions that complement the donations or volunteer efforts of our employees.
- In-kind contributions of used IT equipment.
- Employee fundraising (volunteering their time and/or money).
- Volunteering (donation of professional service, management expertise, skills and time to non-profit organizations or local communities).

Our community investment is aligned with our mission, business strategy, employee concentration and CSR strategic priorities, ranging from long-term programs to short-term initiatives.

The key priority areas on which we focus our community investment are:

- poverty alleviation and financial inclusion;
- digital inclusion and innovation;
- diversity, equity and inclusion; and
- employee volunteering and community service.

In 2017–2022, we awarded around USD 2 million to community development projects. Temenos evaluates the effectiveness and impact of its community investment by maintaining contact with organizations it supports and through Temenos employee volunteering, aiming at improving the management of existing projects and identifying future opportunities.

2023 goals

- To expand the Adopt-iT School program to more schools and universities in India.
- To continue awarding need and merit-based scholarships to qualifying 2nd, 3rd and 4th year students of our partner educational institutions for the next three years.
- To create more volunteering opportunities for our employees in line with our CSR strategic priorities.



Enabling social change through technology

Temenos is committed to finding ways to use technology to enable social change by supporting disadvantaged local communities. We are focusing our actions on transforming the lives of individuals in these communities by improving their work skills and capabilities, promoting gender equality and inclusive education for all and helping them gain access to finance, healthcare and jobs.

India is a material location for Temenos, as it represents 68% of our total employee concentration. Education is one of the most powerful instruments for reducing poverty and inequality and enhancing India's competitiveness in the global economy.

Through our CSR program in **India "Adopt-it"**, we are committed to raising awareness about quality and inclusive education, digital skills, gender equality and empowering girls and women to enter STEM fields of study and careers. We work with schools and universities to provide hygiene and sanitation, fund scholarships to study STEM and provide job opportunities to build work experiences, internships and mentoring programs.





India CSR School program

Through the Temenos Adopt-iT school program, we built 12 solar-powered computer labs and smart classrooms in schools and charitable organizations in need in India between 2017 and 2022. We focused our actions on encouraging gender equality and inclusive education for all, by building girls' restrooms in government schools in India, helping girls stay in school and providing them with access to the benefits and opportunities technology creates and the skills to deploy it and subsequently equal access to more opportunities in life.



2017	MCN School in Chennai	Computer lab
2018	Government Kannada Higher Primary School in Bangalore	Computer lab and girls' restrooms
2018	St Columbus Higher Secondary School in Chennai	Computer lab, training room and girls' restrooms
2019	RBANC School in Chennai	Solar-powered computer lab and training room
2019	Prakash Nagar Government High School in Bangalore	Solar-powered computer lab
2020	Madras Progressive Higher Secondary School in Chennai	Solar-powered computer lab and training room
2020	Mary Clubwala Jadhav Girls Higher Secondary School in Chennai	Solar-powered computer lab and training room
2021	MCN School in Chennai	Solar-powered computer lab and training room
2021	Kumaran Special School for children and youth with special needs	Sensory lab to support the individual learning requirements
2021	Lady Willingdon Higher Secondary School in Chennai	Solar-powered computer lab and training room
2022	Chennai Higher Secondary School in Maduvankarai, Chennai*	Solar-powered computer lab and training room
2022	SOS Children's Villages in Chennai*	Solar-powered computer lab and training room
2023	SOS Children's Villages in Bangalore	Solar-powered computer lab and training room
2023	Government Higher Secondary School in Tamil Nadu	Girls' restrooms

* In 2022, we built two more solar-powered computer labs and training rooms at Higher Secondary School and SOS Children's Villages in Chennai.

India CSR University program

In 2019, we also expanded the Adopt-iT program to promote innovation and digital skills and create employment opportunities for university students. As part of the program, Temenos built a fully equipped and sustainably-powered Innovation Lab at Anna University, College of Engineering in Chennai. The lab gave students the opportunity to learn about the fintech sector, partner with Temenos employee volunteers and provide opportunities to learn through hands-on experience.

Temenos offered its Temenos Learning Community online platform and sandbox environments and customized them in such a way so as to create a curriculum tailored to the needs of the Temenos Innovation Lab users.

We also expanded our collaboration with universities and college to reach more higher education institutions in India and to cover additional areas, such as R&D, hackathons, training, scholarships, recruitment and green data centers.





Strategic Report

SUSTAINABILITY continued

Empowering Our Local Economies and Communities continued

Case study

Temenos CSR initiative – Hacksummit 3.0 at SRM University



8

judges

60+

teams

3

winning teams

250+

university students

Apart from delivering solar-powered IT labs to develop youth skills, this year Temenos sponsored a national hackathon conducted by SRM University to engage young talents for sustained innovation. Hack Summit 3.0 witnessed an enthusiastic crowd of 60+ teams which showcased their technical prowess in diverse fields. This 36-hour-long hackathon covered the following six topics: sustainable banking, a fintech challenge, a modern defense challenge, a smart agriculture challenge, an e-market challenge and a Neuralink challenge.

The participants got a chance to see exceptional results across several themes and an opportunity to expand their horizons. Several brilliant minds came together for one purpose to create solutions to modern problems for a sustainable future. Members from the Temenos Product leadership team participated in the Summit coaching and advising participants, as well as judging the projects.

Case study

Temenos Adopt-iT – Green Data Center at Anna University, India

As we support our clients to become sustainable organizations and achieve their net-zero targets, we are equally committed to helping the local communities where we operate to transition to a low-carbon economy. Together with Anna University in Chennai, we further expanded our cooperation and initiated a green project to make the university's Data Centers green. As part of our CSR initiative, Temenos India handed over a 50kW solar plant consisting of 114 rooftop panels to Anna University in October 2022 to support its zero-travel journey. The solar plant is designed to generate 1,469kW units per year per kW by avoiding 608 metric tons of coal burning and eventually offsetting approximately 1,266 metric tons of CO₂.



Pictured at the handover ceremony are Temenos Chief Marketing and Environmental, Social and Governance Officer, Kalliopi Chiotti, along with Temenos Regional Director, Jay, EVP and Global Products Head, Ganesan Sriraman, and the Vice Chancellor of Anna University, Dr. R. Velraj.



Investing in our communities continued
Supporting local communities

Temenos Adopt-iT Scholarship program 2022

Since 2019, Temenos has been awarding need and merit-based scholarships to qualifying 2nd, 3rd and 4th year students of Engineering and IT departments of universities and colleges in India and subsequently provides employment opportunities to outstanding performance graduates. As part of our gender diversity program, Temenos is allocating 60% of the scholarships to young women, encouraging them to choose a career in the IT industry. In 2019, we launched the scholarship program by providing 46 need and merit-based scholarships to 2nd year students of Anna University College of Engineering in Chennai, while in 2020 we provided 92 need and merit-based scholarships to qualifying 2nd and 3rd year students and in 2021, we offered 141 scholarships to qualifying 2nd, 3rd and 4th year students.

During 2022, while the scholarship program at Anna University was underway, we extended it to five more educational institutions in Tamil Nadu (three universities and two colleges). 196 additional need and merit-based scholarships were awarded in 2022 to students attending the following educational institutions and respective departments:

Educational institutions	2022 number of scholarships
Anna University	46
Sastra University	30
VIT University	30
SRM University	30
SVCE College	30
SKCET College	30
Total	196

- IT – Information Technology;
- CSE – Computer Science Engineering;
- ECE – Electronics and Communications Engineering;
- EEE – Electrical and Electronics Engineering; and
- E&I – Electrical and Instrumentation.

The scholarship program will continue and expand to other universities and colleges in Chennai, Bangalore and Hyderabad, over the next two years.



475

need and merit-based scholarships for students of 6 educational institutions (2019-2022)

96%

of the students have a family income of less than USD 2,000 per year





Strategic Report

SUSTAINABILITY continued

Empowering Our Local Economies and Communities continued

Investing in our communities continued Donations

Corporate monetary contributions

At Temenos, we are looking for new ways to make a positive difference in the communities where we operate. We cooperate with our people in our local offices on the review, evaluation and selection procedure that is based on local community-need assessments.

The following are our strategic priorities:

- Poverty Alleviation and Local Economic Development;
■ Children;
■ Youth Development;
■ Technology and Innovation;
■ Environment; and
■ Emergency Relief.

Table with 4 columns: Community investment in USD, 2020, 2021, 2022. Rows include Monetary donations, Employee fundraising, Employee volunteering cost, In-kind donations, Management overheads, and Total.

Table with 2 columns: Type of philanthropic activities (2022), Percentage of total costs. Rows include Charitable donations, Community investment, Commercial initiatives, and Total.

As per our Anti-Corruption and Bribery policy as well as the Charitable Donations and Non-Commercial Sponsorships' policy, Temenos does not make any contributions to political, religious or legislative parties.

In addition, the Temenos Internal Audit team conducts yearly independent, objective audits of the Company's corporate monetary contributions, in relation to the Anti-Corruption and Bribery and Conflict of Interest policies. The results of these audits are shared with the CSR and Ethics Committee and the Audit Committee. All donations and non-commercial sponsorship requests are submitted online through the Temenos intranet for review and evaluation by the CSR and Ethics Committee during its regular meetings.

Corporate monetary contributions and employee fundraising in 2022

Temenos encourages all employees to actively engage in community service and fundraising activities for a social cause of their choice for non-profit organizations, based in the countries where we operate by giving them the chance to boost their fundraising efforts through corporate matching of the raised funds. The activities to be considered for the corporate matching need to be aligned with the corporate CSR priorities.



Case study

Breast Cancer employee fundraising

Temenosians, together with members of their families and friends, participated in the Race for the Cure walks globally that aimed to raise awareness and funds for breast cancer research. The employee-resource group Women@Temenos drove this initiative across all Temenos offices globally during September and October 2022. The company then matched all employee raised donations through these walks.

30 cities

300+ Temenosians

22 countries

24,000+ USD raised and matched

**Number of children supported/year**

Year	Supported by	Boys	Girls	Total
2017	Temenos India Employees	8	4	12
2018	Temenos India Employees	10	18	28
2019	Temenos India Employees	18	29	47
2020	Temenos India Employees	38	31	69
2021	Temenos India Employees	11	20	31
	Temenos	42	37	79
2022	Temenos India Employees	17	39	56
	Temenos	63	54	117
Total	Employees and Temenos	207	232	439

Funds raised in USD

	Temenos India employees	Corporate Match	Grand total
2017	2,727		2,727
Boys	1,773		
Girls	954		
2018	6,545		6,545
Boys	2,062		
Girls	4,482		
2019	8,061		8,061
Boys	2,773		
Girls	5,288		
2020	9,375		9,375
Boys	4,094		
Girls	5,281		
2021	7,170	12,870	20,040
Boys	2,294	6,734	9,028
Girls	4,877	6,135	11,012
2022	15,126	22,696	37,822
Boys	4,338	10,256	14,593
Girls	10,788	12,440	23,228
Grand total	49,004	35,566	84,569

USD 84,569

raised by employees and matched by Temenos (2017–2022)

439

children were able to go to school and pursue their dreams (2017–2022)

Case study**Employee fundraising for Adopt a Kid – India**

In 2017, we established “Adopt a Kid – India”, a long-term Education Support Program (ESP) in which Temenos employees supported the education of children from low-income households. This program enables access to education to children with single or no parents and children below the poverty line, who could not afford a decent education. Recipients include both boys and girls, though girls comprise the major share. Temenos India employees continue to support for the six consecutive year the program, Adopt a Kid. Since 2017, thanks to our employees’ fundraising activities, USD 49,004 has been raised, enabling 243 children (102 boys and 141 girls) to go to school and escape poverty. In 2022, they supported 56 more children. Despite the fact that the Adopt a Kid – India program is an employee-led and funded initiative, Temenos recognized the significance of the employee efforts as well as the program’s social impact and committed to matching all employee donations this year, as part of its CSR program. In 2022, a total of 173 children (80 boys and 93 girls) were supported, 161 more children from economically disadvantaged backgrounds compared to the program’s launch.



Strategic Report

SUSTAINABILITY continued

Empowering Our Local Economies and Communities continued

Investing in our communities continued

Donations continued

Emergency relief

Temenos is committed to supporting the local communities where we operate when affected by unexpected events or disasters, as well as providing assistance to non-profit organizations and emergency relief agencies. We are grateful to the hundreds of Temenosians who have contributed and continue to support urgent causes by forgoing pay or through our volunteer programs.

Case study

Ukraine crisis appeal

Caring for each other, our communities and wider society is a key part of who we are at Temenos. To help provide immediate aid and support relief efforts in Ukraine, Temenosians from around the globe raised over USD 23,960 in donations. The total amount raised by employees was matched 100% by Temenos, with funds donated to the British Red Cross.

260+

Temenosians

USD 47,900

raised and matched

Temenos Adopt-iT volunteering

Since 2017, our employees in India have volunteered their time through the Adopt-iT program to teach and coach students coming from underprivileged backgrounds. In 2022, Temenos Adopt-iT volunteers continued to train and educate children, both on site and remotely. Over 2,376 hours were donated by our employees promoting technology skills to Adopt-iT students. These skills included software testing, cloud computing, improving presentation abilities and communication.





Temenos Adopt iT volunteers

Employee volunteering

At Temenos, we encourage and support the efforts of our employees as well as our management to offer their time and expertise to help local communities or non-governmental organizations during paid working hours in activities organized by the Company and in line with our CSR strategic priorities. Since 2019, we set a target to evaluate our volunteering program and the impact of our volunteers.

Our key aims were:

- to measure the social impact on the local communities;
- to explore new ways to give back to the local communities;
- to identify areas of improvement;
- to uncover – through volunteering – new skills or talent of our people;
- to identify the impact that volunteers have on Temenos, in terms of their contribution and economic value; and
- to have documentation for audit and third party verification.

To be able to better monitor, track and report the number of volunteers, volunteering hours and the impact of these activities not only to the community, but also to Temenos, we have created an Employee Volunteering Tracking form for volunteering activities. The program was initially rolled out in India, focusing on the Adopt-iT program and the work we are doing in the schools and universities. Gradually, it was expanded to the rest of the Company's offices globally.

We believe in the power of people to change the world. In 2022, there was an 82% increase in on-site employee volunteering activities. Today, Temenosians from all over the world participate in various actions aimed at helping the local community, educating the youth, protecting the environment and much more.

3,674+

volunteering hours in 2022

30+

projects

35+

countries where we supported local communities

40+

organizations supported

Employee volunteering by regions	Employee time in USD*	Employee time in hours
Americas	31,297	604
Middle East and Africa	7,322	112
India	18,470	1,770
Europe	39,324	894
Asia Pacific	13,506	295
Total	109,918	3,674

Employee volunteering by CSR strategic priority areas	Employee time in USD*	Employee time in hours
Environment	39,428	1,237
Poverty alleviation and local economic development	17,823	1,134
Technology and innovation	50,305	1,224
Children	2,362	79
Total	109,918	3,674

* To calculate the cost, base salary and social charges were used for each employee.



Strategic Report

APPENDIX

About this report

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2022 and covers all Temenos operations globally during the financial year 2022. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standard Core option and is mapped to the Sustainability Accounting Standards Board (SASB) Software and IT Services Sustainability Accounting Standard. Please see our online [GRI Standards Index](#) for detailed data and additional information. In addition, it serves as Temenos' annual Communication on Progress under the United Nations (UN) Global Compact. This is our seventh Corporate Responsibility Report. No restatements were done. We have assured the content through an internal review process, including Board of Directors and executive oversight of reviews and validation. Apart from the internal review process, an independent third party, Grant Thornton S.A., has provided its assurance on the Temenos CSR Report 2022. The scope of the assured information is indicated in the independent practitioner's assurance report. Our first report with GRI was published in 2017.

Temenos operates 59 offices in large, leased, multi-tenant buildings in 39 countries (including acquisitions). Temenos' energy reporting and corresponding Scope 1 and 2 emissions cover the time period from 1 December 2021 to 30 November 2022. In 2022, we measured and reported 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (ten people or less). The energy consumption of these offices includes all types of energy (renewable and non-renewable purchased grid electricity, natural gas and on-site generation) and represents actual consumption as reported on invoices from utility providers and management companies.

Energy and emissions calculations follow the Greenhouse Gas Protocol with reference to ISO14064:2006 – "Greenhouse gases, Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals". In the report, the metric ton/UK ton equivalent to 1,000 kilograms is stated solely as ton. Scope 1 and 2 emissions were calculated using IEA and DEFRA emission factors. Emissions from Business Travel were calculated based on the miles flown using DEFRA emission factors. All GHG emissions figures are in tons of carbon dioxide equivalents (tCO₂e). Renewable energy is valid only with an official certificate or written confirmation from the electricity supplier. Our water withdrawal covers 89.5% of total headcount. Water consumption was estimated based on a 95% discharge factor, taken from the Sydney water utility provider. The generated waste covers 100% estimated based on extrapolation from actual data received from 79.3% of the total Temenos population (excluding population working in serviced offices with less than ten employees). The intensity ratios were calculated, based on monthly average consumptions of energy/water per average monthly employee headcount for the period December 2021 to November 2022.

Scope 1 and 2:

Our Scope 1 emissions are due to direct natural gas consumption for heating, from diesel fuel consumption for on-site electricity generation and from fugitive emissions from the air-conditioning equipment. The Scope 1 fugitive emissions were calculated using our new sustainability software, taking into account the surface area of each office and the type of refrigerant. Our Scope 2 location-based emissions are a result of the consumption of purchased electricity from local grids. Our Scope 2 market-based emissions were calculated taking into account the green energy products from local utility providers, as well as the residual mix values for each location where available. Calculation is based on building electricity invoices and includes offices, common areas and owned Data Centers.

Scope 3:

Our Scope 3 business travel-related emissions from flights cover the financial year 2022 and all the countries where Temenos operates, representing 100% of the total employee concentration. The data were collected from the Company travel management system as well as travel agency providers.

The 2022 GHG emissions from employee commute were calculated based on integrated information from Geocoding Automation with Google Maps and from our internal employee information platform. This methodology covered 80% of total headcount. For cases where the information platform system exceeded 60 miles office to home distance (due to different tax and permanent address), an average 13.12 miles distance was assigned. The remaining 20% was estimated based on extrapolation, taking into consideration the hybrid model frequency. The information platform covered various aspects such as distance between home and the office, modes of transport – private vehicles, mass transit, cycling, carpooling, walking, fuel efficiencies of private vehicles used and average monthly office presence. The data gathered cover private vehicles owned by our employees. The emissions have been calculated based on fuel efficiency, total distance traveled, fuel types and characteristics and emissions factor for the fuel used.

Our Scope 3 categories Purchased Goods and Services and Capital Goods have been estimated based on Input-Output analysis (WRI Scope 3 Screening Tool – <https://quantis-suite.com/Scope-3-Evaluator/>) using the best-fit category, including consideration of inflation development from 2015 to 2022, as 2015 has been the last year of inflation adjustment made by the WRI Scope 3 Screening Tool. We are working on improving the methodology and availability of data for more accurate data in the future.

In order to calculate upstream emissions of our Scope 3 category of other fuel and energy-related activities from purchased electricity (due to T&D losses for every unit of grid electricity procured) we used actual energy consumption as reported on invoices from utility providers and management companies and emission factors from Sphera's GaBi database software.

In order to calculate upstream emissions of our Scope 3 category of waste generated in our offices, we used our 2022 office collection data for hazardous and non-hazardous waste, e-waste and wastewater treatment, taking into account the disposal methods and emission factors from GaBi databases, specific for each disposal method.



People

Our headcount-related figures and diversity dashboard are based on the GRI and SASB Standards, S&P Global CSA and Bloomberg GEI requirements and cover all Temenos operations globally, in full alignment with the Annual Report and Financial Statements section. The data sources are the corporate internal IT and People systems, which provide data on full-time and part-time employees and permanent and temporary employees.

When referring to Governance Bodies, we include: Board of Directors, Executive Committee and Management Board.

All references to currency are in USD unless otherwise stated.

Diversity dashboard

Methodology and assumptions

- Data used to compile the dashboard represent actual headcount (not FTE) as per 31 December 2022, unless specified otherwise.
- All charts refer to Temenos employees, unless specified otherwise.
- Temporary employees are employees on a fixed-term contract.
- Part-time employees are employees at less than 100% FTE.
- Employee level: individual contributor, mid-level management and management defined as per Temenos internal ranking system.
- Employee category: “tech” includes employees working in R&D or cloud functions; “non-tech” includes employees working in G&A, S&M or Services.
- Employee turnover is calculated by comparing actual headcount as at 31 December 2022 to actual headcount as at 31 December 2021.
- Business partners: consultants of Temenos Certified companies have been considered as Temenos staff augmentation.
- External contractors: consultants of third party companies (not approved as Temenos Certified Partner) or freelancers that get paid directly from Temenos have been considered as Temenos staff augmentation.

Contextual information

- The vast majority of total headcount are permanent, full-time employees.
- All Temenos employees are guaranteed a fixed number of working hours per day, week or month, except for one intern in the US (male) paid on hourly rates.
- Part-time employees represent below 1% of global workforce (e.g. employees returned from parental leave to gradually return to full-time and employees requested to work reduced working hours).

Fluctuations in headcount

- Fluctuations in number of non-employee headcount are considered as significant if higher than 20%.
- Business partners not working on Temenos primed projects are excluded from headcount effective from 2022, accounting for approximately 70% reduction in external headcount.

Contact

The 2022 Temenos CSR Report explains our policies, procedures, programs and performance on our material environmental, social and governance (ESG) issue areas as well as how we address other important CSR issues. We welcome your feedback on the activities and programs described in the report, as well as the issues you expect to see addressed in the future. Please email your comments to the below address.

Kalliopi Chioti

Chief Marketing & ESG Officer

Tel.: +41 22 708 11 50

csr@temenos.com



Strategic Report

APPENDIX continued

Independent Limited Assurance Report

To the Board of Directors of Temenos

The Board of Directors of Temenos AG (the “Company”) engaged “GRANT THORNTON S.A. CHARTERED ACCOUNTANTS MANAGEMENT CONSULTANTS” (“Grant Thornton”) to review selected non-financial/sustainability data included in the [Annual Report of Temenos](#) (in the [Sustainability section of the Strategic Report](#)) for the fiscal year ended on 31 December 2022 (“selected data”), in accordance with the Global Reporting Initiative (GRI) Standards (“GRI Standards”), developed by the Global Sustainability Standards Board (GSSB), GRI’s independent standard-setting body, and in addition the Sustainability Accounting Standards Board (SASB) for selected disclosures. For the purposes of this Report, Temenos encompasses the 59 offices which operates in 39 countries (including acquisitions). There is an exception to the environmental data presented in the Report, as the Company measured and reported 99% of the total energy consumption and GHG emissions, excluding only a few individual small offices with limited headcount (ten people or less).

Scope

We performed our engagement in accordance with the provisions of “International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information” (ISAE 3000). The Company engaged us to:

- provide limited assurance on the preparation of the [Sustainability section of the Strategic Report of the Temenos Annual Report 2022](#) in accordance with GRI Standards 2021, including GRI 2: General Disclosures 2021; and
- provide limited assurance on the accuracy and completeness of qualitative data related to GRI Topic Disclosures and to the Sustainability Accounting Standards Board (SASB) – where referred – in respect of the following quantitative indicators, linked to the Company’s material issues and presented in the [Sustainability section of the Strategic Report of the Temenos Annual Report 2022](#):
 - 201-1 Direct economic value generated and distributed;
 - 203-1 Infrastructure investments and services supported;
 - 204-1 Proportion of spending on local suppliers;
 - 205-2 Communication and training about anti-corruption policies and procedures;
 - 302-1 Energy consumption within the organization;
 - 302-3 Energy intensity;
 - SASB TC-SI-130a.1 Energy consumption within the organization;
 - 303-1 Interactions with water as a shared resource;
 - SASB TC-SI-130a.2 Total water consumption;
 - 303-3 Water withdrawal;
 - 305-1 Direct (Scope 1) GHG emissions;
 - 305-2 Energy indirect (Scope 2) GHG emissions;

- 305-3 Other indirect (Scope 3) GHG emissions;
- 305-4 GHG emissions intensity;
- 306-3 Waste generated;
- 308-1 New suppliers that were screened using environmental criteria;
- 401-1 New employee hires and employee turnover;
- 401-3 Employees on parental leave;
- 404-1 Average hours of training per year per employee;
- 404-3 Percentage of employees receiving regular performance and career development reviews;
- SASB TC-SI-330a.2 Satisfaction level of employees;
- 405-1 Diversity of governance bodies and employees;
- SASB TC-SI-330a.3 Gender and racial/ethnic group;
- 414-1 New suppliers that were screened using social criteria Temenos;
- Temenos KPI1 Percentage of revenue spend on R&D; and
- Temenos KPI2 Client satisfaction: improvement by % points and Client Voice: number of participants annually and Net Promoter score.

We read the other information included in the Report and considered whether it was consistent with the sustainability data. We considered the implications for our report in the case that we became aware of any apparent misstatements or material inconsistencies with the sustainability information. Our responsibilities do not extend to any other information as our engagement was limited to the information listed above.

Management responsibility

The Temenos management is responsible for the preparation and presentation of the selected sustainability data provided to us, as incorporated in the [Annual Report 2022](#), as well as for the completeness and accuracy of these data. Furthermore, the management is responsible for maintaining records and adequate internal controls that are designed to support the reporting process.

Grant Thornton responsibility

Our responsibility is to carry out a limited assurance engagement and to express our conclusions based on the procedures carried out for the selected data, as described in the “Scope” section.

The procedures we carried out were designed to provide limited assurance, as specified in ISAE 3000, based on which we have shaped the conclusion to our engagement. These procedures are not as extensive as those required for providing reasonable assurance; consequently, a lower level of assurance is obtained. Our responsibility is limited to the information related to the fiscal year that ended on 31 December 2022, as these were included in the [Temenos Annual Report 2022](#).

To the extent it is permitted by the legislation in force, we neither accept nor assume any responsibility for our engagement or this report towards anyone other than the Company, unless the terms have been agreed explicitly in writing, with our prior consent.



Limitations

- To conduct our work, we relied exclusively on the information provided to us by Temenos executives, which we accepted in good faith as being complete, accurate, real and not misleading. Therefore, we did not submit it to any verification procedures, apart from the procedures explicitly stated in our Report and which arise from our mutually agreed methodology.
- Our engagement was limited to the English version of the report.
- No work has been conducted on data for previous reporting periods, as well as on data related to forecasts and targets.
- No work has been conducted on anything other than the agreed scope and consequently, our opinion is limited to that scope.

Work conducted

The procedures followed with regard to the selected data included:

- interviewed key personnel responsible for the preparation of the Sustainability section of the Strategic Report of the Annual Report 2022, in order to understand key governance structures, systems, processes, controls and their level of understanding of the information included in the Temenos Annual Report 2022;
- identified existing internal processes related to application of ESG policies;
- applied assurance procedures, on a sample basis, in order to collect and review evidence; and
- reviewed the GRI Content Index, as well as the relevant references included therein, against our scope of work.

Independence

Grant Thornton implements the requirements of International Standard on Quality Control 1. Based on this, Grant Thornton maintains an integrated quality control system that includes policies and procedures for compliance with moral principles, professional standards and relevant legal and regulatory requirements. We comply with the independence requirements and other ethical standards of the IFAC Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, impartiality, professional adequacy, confidentiality and professional conduct. In this context, the assurance team is independent from the Company and has not participated in the preparation of the Temenos Annual Report 2022.

Conclusions

Based on the procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability section of the Strategic Report of the Temenos Annual Report 2022 does not meet the requirements of General and Specific Disclosures of GRI Standards 2021, or the specific key performance indicators included in the Temenos Annual Report 2022, as described in the section "Scope", are materially misstated.

Athina Moustaki

Athens, 16 March 2023

The Chartered Accountant

CPA (GR) Reg. No.28871

Grant Thornton



Strategic Report

APPENDIX continued

Stakeholder groups

Stakeholder groups	Examples of engagement	Stakeholder key concerns	Location in report
Employees Frequency: daily	<ul style="list-style-type: none"> ■ Employee surveys: Employee Engagement Survey, Performance Management: Performance management program (People Space), talent review, talent cards, 360° feedback survey ■ Mentoring program ■ Career week ■ Talent mobility ■ Learning and development, Temenos Learning Hub (TLH) ■ Temenos Learning Community (TLC) ■ Internal communication: Microsoft 365, SharePoint intranet, Yammer, video updates, targeted newsletters, internal surveys ■ Townhalls, live-streamed events with leaders ■ Employee recognition: Quarterly GEM awards, annual Temenosian awards, the Club, Hackathons, Temenosity badges, Temenos fellows, Temenos keys ■ Hybrid Work model ■ Business Code of Conduct and linked policies ■ Employee resource groups (mission earth team, women@Temenos) ■ Employee CSR volunteering and fundraising matching scheme 	<ul style="list-style-type: none"> ■ Employee experience ■ Learning and development ■ Internal communication ■ Employee benefits and pay ■ Employee engagement ■ Employee recognition ■ Diversity, equity and inclusion ■ Talent mobility ■ Wellbeing at work ■ Purpose-driven talent management ■ Environmental management and awareness 	Investing in Our People Empowering Local Economies and Communities Caring for the Planet
Clients Frequency: daily	<ul style="list-style-type: none"> ■ Client surveys: Client Voice and Client Satisfaction ■ Product Innovation Board and Steering Committees ■ Annual Temenos Community Forum (TCF) ■ Annual Temenos Kick Off Meeting (TKO) ■ Annual Partners' Meeting ■ Temenos Learning Community (TLC) ■ Temenos Exchange ■ Temenos Ambassador program ■ Newsletters, marketing updates and social media ■ Client support portal ■ Internal and external audits ■ Temenos Security and Privacy Committee ■ Business Code of Conduct, data privacy and protection and corporate security policies ■ Temenos Carbon Emissions Calculator ■ Corporate website ■ ESG indices and ratings 	<ul style="list-style-type: none"> ■ Client communication ■ Client satisfaction ■ Quality, security and responsibility in delivery and implementation ■ Cybersecurity, data privacy, and business continuity 	Achieving Business Excellence Operating Responsibly Caring for the planet



Stakeholder groups	Examples of engagement	Stakeholder key concerns	Location in report
Investors – research analysts Frequency: weekly	<ul style="list-style-type: none"> ▪ Annual General Meeting of Shareholders (AGM) ▪ Annual Capital Markets Day (CMD) ▪ Roadshows, investor and analyst visits, meetings, calls ▪ Financial press releases, videos, webcasts and social media ▪ Annual Report ▪ Corporate website ▪ Business Code of Conduct and linked policies ▪ ESG indices and ratings 	<ul style="list-style-type: none"> ▪ Economic performance ▪ Transparent and ethical corporate governance ▪ Accurate, timely and responsible communication 	Annual Report
Suppliers and Partners Frequency: daily	<ul style="list-style-type: none"> ▪ Annual Temenos Community Forum (TCF) ▪ Annual Temenos Kick Off Meeting (TKO) ▪ Annual Partners' Meeting ▪ Responsible procurement framework ▪ Supplier diversity framework ▪ Temenos Learning Community (TLC) ▪ Trainings and seminars ▪ Procurement policies ▪ Audits and risk assessments ▪ Event sustainability management system 	<ul style="list-style-type: none"> ▪ Ethical and responsible business conduct ▪ Long-term partnership 	Operating Responsibly Caring for the Planet
Local communities and NGOs Frequency: monthly	<ul style="list-style-type: none"> ▪ Cooperation with NGOs ▪ Community service and employee volunteering ▪ Employee fundraising ▪ Community investment projects ▪ Scholarships ▪ Internships ▪ Social media ▪ Temenos Financial Inclusion 	<ul style="list-style-type: none"> ▪ Access to education and jobs ▪ Improve local living conditions ▪ Support in emergency situations 	Empowering Local Economies and Communities
Academic community Frequency: daily	<ul style="list-style-type: none"> ▪ Services Incubation Center ▪ Temenos Services Masterclass ▪ Temenos Innovation Labs ▪ Hackathons ▪ Scholarships ▪ Collaboration in research programs ▪ Lectures, presentations, Company visits ▪ Career days ▪ Social media 	<ul style="list-style-type: none"> ▪ Collaboration and job opportunities ▪ Joint Research and Development projects 	Investing in Our People Empowering Local Economies and Communities
Media and industry analysts Frequency: daily	<ul style="list-style-type: none"> ▪ Temenos events ▪ Roadshows, visits, meetings, calls ▪ Press releases, videos, webcasts, blogs and social media ▪ Annual Report ▪ Corporate website 	<ul style="list-style-type: none"> ▪ Accurate, timely and responsible communication 	Annual Report



Strategic Report

APPENDIX continued

Contribution to the UN Sustainable Development Goals

Our commitments strongly align with the UN SDGs. We support the UN SDGs and publicly report ways in which we are contributing to the global effort to achieve the SDGs.

Temenos material issue	Relevant SDGs	Relevant SDG target	Relevant SDG indicator	Description
1 Sustainable Business Performance		8.2	8.2.1	■ Revenue, value added, net value added
		9.4	9.4.1	
		9.8	9.B	■ Number of companies publishing sustainability reports
		12.7	12.7.1	
2 Client Satisfaction and Engagement		8.2	8.2.1	■ Annual growth rate of real GDP per capita
3 Business Continuity		9.2	9.2.1	■ Manufacturing value added as a proportion of GDP and per capita
		11.6	11.6.1	
4 Technology and Product Innovation		9.5	9.5.1	■ Total amount of expenditures on research and development by the reporting entity during the reporting period in percentage terms
		12.2	12.2.1	
		17.6	17.6.1	
5 Ethical Business Conduct and Sound Corporate Governance		16.5	16.5.1	■ Average number of hours of training in anti-corruption issues per employee per year (as total hours of training in anti-corruption issues per year divided by total employees)
6 Information Security, Cybersecurity and Data Privacy		16.10	Policy implementation	■ Total number of substantiated complaints received concerning breaches of customer privacy
7 Responsible Procurement		8.7	8.7.1	■ Proportion of procurement spending of a reporting entity at local suppliers in percentage terms
		9.3	9.3.1	
		12.6	12.6.1	■ Proportion of spending on local suppliers at significant locations of operation
8 Environmental Management and Awareness		12.2	12.2.1	■ Environmental policy, environmental awareness and management, energy efficiency, sustainable event planning, energy intensity, total weight of waste by type and disposal method and location-specific data: water consumption
		12.5	12.5.1	
		13.2		
		13.3		
		13.B		
9 Energy Efficiency and Carbon Footprint		7.2	7.2.1	■ Environmental awareness and management, energy consumption, renewable energy, energy efficiency, energy intensity and GHG emissions
		7.3	7.3.1	
		12.2	12.2.1	
10 Climate Change and Related Risks		7.2	7.2.1	■ Energy consumption, renewable energy, energy intensity, GHG emissions and environmental awareness and management
		7.3	7.3.1	
		13.1	13.2.2	
		13.2		
11 Diversity, Equity and Inclusion		5.5	5.5.2	■ Number of women in managerial positions to total number of employees (in terms of headcount or FTE)
				■ Total number and rate of new employee hires during the reporting period, by employment type, age group, gender and region
12 Talent Attraction and Retention		4.3	4.3.1	■ The participation rate of youth and adults in formal and non-formal education and training in the previous 12 months
		4.4	4.4.1	
		8.5	8.1.1	
		8.1	8.5.1	■ Percentage of youth and adults with information and communications technology (ICT) skills, by sex and type of skill
		10.6	8.5.4	
			10.4.1	
		■ Average hourly earnings of female and male employees, by occupation, age group, and persons with disabilities		
		■ Hours of work per week, by sex and employment status		



Temenos material issue	Relevant SDGs	Relevant SDG target	Relevant SDG indicator	Description																																									
13 Employee Wellbeing and Development	 	3.8	3.8.1	<ul style="list-style-type: none"> Training and development – Training hours by gender and departments Average hours of training that the organization's employees have undertaken during the reporting period, by: <ol style="list-style-type: none"> Gender Employee category 																																									
		4.3	4.3.1		14 Human Rights	  	5.1	5.1.1	<ul style="list-style-type: none"> Number and percentage of women Board members Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex 	5.5	5.5.1 5.5.2	8.5	8.5.1	<ul style="list-style-type: none"> Number of employees covered by collective agreements to total employees (in terms of headcount or FTE) Average hourly earnings of female and male employees, by occupation, age, and other variables 	8.8	8.8.2	15 Financial Inclusion	  	1.4	1.1.1	<ul style="list-style-type: none"> Number of MSMEs and/or smallholders who have benefited from the Company's investments to upgrade production and services along the value chain. Provide details on value created for poorest stakeholders: <ul style="list-style-type: none"> inclusion of MSMEs into value chain and local purchasing; innovative financing mechanisms; and financial inclusion Initiatives to improve access to financial services for disadvantaged people 	8.10	8.10.1	9.3	8.10.2 9.3.1	16 Community Investment and Employee Volunteering	        	1.1	1.1.1	<ul style="list-style-type: none"> Total amount of charitable/voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in percentage terms Initiatives to enhance financial literacy by type of beneficiary 	4.3	4.3.1	5.1	5.1.1	6.6	6.6.1	7.1	7.1.1	8.10	8.10.1	10.4	10.4.1	13.1	13.1.1	17.7
14 Human Rights	  	5.1	5.1.1	<ul style="list-style-type: none"> Number and percentage of women Board members Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex 																																									
		5.5	5.5.1 5.5.2																																										
		8.5	8.5.1	<ul style="list-style-type: none"> Number of employees covered by collective agreements to total employees (in terms of headcount or FTE) Average hourly earnings of female and male employees, by occupation, age, and other variables 																																									
		8.8	8.8.2		15 Financial Inclusion	  	1.4	1.1.1	<ul style="list-style-type: none"> Number of MSMEs and/or smallholders who have benefited from the Company's investments to upgrade production and services along the value chain. Provide details on value created for poorest stakeholders: <ul style="list-style-type: none"> inclusion of MSMEs into value chain and local purchasing; innovative financing mechanisms; and financial inclusion Initiatives to improve access to financial services for disadvantaged people 	8.10	8.10.1	9.3	8.10.2 9.3.1	16 Community Investment and Employee Volunteering	        	1.1	1.1.1	<ul style="list-style-type: none"> Total amount of charitable/voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in percentage terms Initiatives to enhance financial literacy by type of beneficiary 	4.3	4.3.1	5.1	5.1.1	6.6	6.6.1	7.1			7.1.1	8.10		8.10.1	10.4	10.4.1	13.1	13.1.1	17.7	17.7.1	17.17	17.17						
15 Financial Inclusion	  	1.4	1.1.1	<ul style="list-style-type: none"> Number of MSMEs and/or smallholders who have benefited from the Company's investments to upgrade production and services along the value chain. Provide details on value created for poorest stakeholders: <ul style="list-style-type: none"> inclusion of MSMEs into value chain and local purchasing; innovative financing mechanisms; and financial inclusion Initiatives to improve access to financial services for disadvantaged people 																																									
		8.10	8.10.1																																										
		9.3	8.10.2 9.3.1																																										
16 Community Investment and Employee Volunteering	        	1.1	1.1.1	<ul style="list-style-type: none"> Total amount of charitable/voluntary donations and investments of funds (both capital expenditure and operating ones) in the broader community where the target beneficiaries are external to the enterprise incurred in the reporting period in absolute amount and in percentage terms Initiatives to enhance financial literacy by type of beneficiary 																																									
		4.3	4.3.1																																										
		5.1	5.1.1																																										
		6.6	6.6.1																																										
		7.1	7.1.1																																										
		8.10	8.10.1																																										
		10.4	10.4.1																																										
		13.1	13.1.1																																										
17.7	17.7.1																																												
17.17	17.17																																												



Strategic Report

APPENDIX continued

UN Global Compact Index

The table below describes the location of relevant report content for each of the UN Global Compact's ten principles.

Principle	Description	Report section	GRI Standards/SASB metrics
Human rights			
1	Businesses should support and respect the protection of internationally proclaimed human rights.	Investing in Our People	412-2
2	Make sure they are not complicit in human rights abuses.	Investing in Our People	406-1
Labor			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Investing in Our People	2-30
4	The elimination of all forms of forced and compulsory labor.	Investing in Our People	409-1
5	The effective abolition of child labor.	Investing in Our People	408-1
6	The elimination of discrimination in respect of employment and occupation.	Investing in Our People	401-1, 404-1, 404-3, 405-1, 406-1/TC-SI-330a.3
Environment			
7	Businesses should support a precautionary approach to environmental challenges.	Caring for the Planet	302-1, 302-3, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5/ TC-SI-130a.1, TC-SI-130a.2, TC-SI-130a.3
8	Undertake initiatives to promote greater environmental responsibility.	Caring for the Planet	302-1, 302-3, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5, 308-1/ TC-SI-130a.1, TC-SI-130a.2, TC-SI-130a.3
9	Encourage the development and diffusion of environmentally friendly technologies.	Caring for the Planet	302-1, 302-3, 303-3, 305-1, 305-2, 305-3, 305-4, 306-3, 306-4, 306-5, 308-1/ TC-SI-130a.3
Anti-corruption			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Operating Responsibly	2-23, 2-26, 205-2, 205-3, 206-1



GRI content index

GRI 1: Foundation

GRI 1: Foundation statement of use	Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2022 and covers all Temenos operations globally during the financial year 2022. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards and is mapped to the Sustainability Accounting Standards Board (SASB) Software and IT Services Sustainability Accounting Standard.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	No applicable GRI Sector Standard(s)

GRI 2: General Disclosures 2021	Reference	Notes and omissions	External assurance
1. The organization and its reporting practices			
2-1 Organizational details	About This Report; Group Structure and Shareholders; Temenos World Offices		V
2-2 Entities included in the organization's sustainability reporting	Temenos World Offices		V
2-3 Reporting period, frequency and contact point	About This Report		V
2-4 Restatements of information	About This Report		V
2-5 External assurance	Independent Assurance Report		V
2. Activities and workers			
2-6 Activities, value chain and other business relationships	About This Report; Annual Report: Overview; Our Solutions; Group Structure and Shareholders; Group Companies; Business Combinations; Responsible Procurement		V
2-7 Employees TC-SI-330a.3 (gender only)	About this Report; Diversity Dashboard		V
2-8 Workers who are not employees TC-SI-330a.3	About this Report; Diversity Dashboard		V
3. Governance			
2-9 Governance structure and composition	Our Governance Framework; Sustainability Governance		V
2-10 Nominating and selecting the highest governance body	Our Governance Framework; Website		V
2-11 Chair of the highest governance body	Chair's Statement; Our Governance Framework; Internal Organizational Structure		V
2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability Governance; Our Governance Framework; Responsible Risk Management		V



Strategic Report

APPENDIX continued

GRI content index continued

GRI 2: General Disclosures 2021	Reference	Notes and omissions	External assurance
2-13 Delegation of responsibility for managing impacts	Sustainability Governance; Business Code of Conduct		V
2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance		V
2-15 Conflicts of interest	Conflict of Interest and Related Party Transactions		V
2-16 Communication of critical concerns	Ethical Business Conduct Monitoring and Reporting		V
2-17 Collective knowledge of the highest governance body	Sustainability Governance		V
2-18 Evaluation of the performance of the highest governance body		We have planned to incorporate ESG targets in executive compensation.	
2-19 Remuneration Policies	Compensation Report	Partially reported this year. We have planned to incorporate ESG targets in executive compensation.	
2-20 Process to determining remuneration	Audit Committee; Compensation Committee	Partially reported this year. Currently, we do not publicly disclose the results of votes of stakeholders. Confidential information.	
2-21 Annual total compensation ratio		Median annual total compensation not disclosed. Confidential information.	
4. Strategy, policies and practices			
2-22 Statement on sustainable development strategy	Message from the CEO		V
2-23 Policy commitments	Ethical Business; Due Diligence and Risk Assessment; Human Rights; Responsible Risk Management; Website; Environmental Responsibility		V
2-24 Embedding policy commitments	Ethical Business; Ethical Business Conduct Monitoring and Reporting; Anti-Corruption and Bribery; Responsible Risk Management		V
2-25 Processes to remediate negative impacts	Ethical Business Conduct Monitoring and Reporting; Human Rights		V
2-26 Mechanisms for seeking advice and raising concerns	Ethical Business Conduct Monitoring and Reporting		V
2-27 Compliance with laws and regulations	Environmental Responsibility; Anti-Corruption and Bribery		V
2-28 Membership of associations	Progress and Targets; Human Rights		V



GRI 2: General Disclosures 2021		Reference	Notes and omissions	External assurance
5. Stakeholder engagement				
	2-29 Approach to stakeholder engagement	Our Stakeholders; Stakeholder Groups		V
	2-30 Collective bargaining agreements	Freedom of Association and Collective Bargaining		V
GRI 3: Material Topics 2021		Reference	Notes and omissions	External assurance
	3-1 Process to determine material topics	About This Report; ESG materiality assessment		V
	3-2 List of material topics	About This Report; ESG materiality assessment		V
	3-3 Management of material topics		See all relevant disclosures below, by topic.	V
Topics standards		Reference	Notes and omissions	External assurance
Business performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	Annual Report: Financial Statements		V
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Impact; Annual Report: Financial Statements		V
	201-3 Defined benefit plan obligations and other retirement plans	Annual Report: Corporate Governance, Financial Statements		
	201-4 Financial assistance received from government	Economic Impact		
Social responsibility and community investment				
GRI 3: Material Topics 2021	3-3 Management of material topics	Community Investment; Responsible Procurement		V
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Community Investment		V
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Responsible Procurement		V



Strategic Report

APPENDIX continued

GRI content index continued

Topics standards	Reference	Notes and omissions	External assurance
Ethical business conduct and governance			
GRI 3: Material Topics 2021	3-3 Management of material topics	Compliance Program; Compliance Training; Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting	V
GRI 205: Anti-Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Compliance Training	V
	205-3 Confirmed incidents of corruption and actions taken	Ethical Business Conduct Monitoring and Reporting	No confirmed incidents.
GRI 206: Anti-Competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices TC-SI-520a.1	Compliance Program	
SASB: Intellectual Property Protection and Competitive Behavior			
GRI 406: Non-Discrimination 2016	406-1 Incidents of non-discrimination and corrective actions taken	Elimination of Discrimination and Prevention of Harassment; Ethical Business Conduct Monitoring and Reporting	
Tax strategy and governance			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Website: Tax Strategy and Governance	
	207-1 Approach to tax	Corporate Website: Tax Strategy and Governance	
GRI 207: Tax 2019	207-2 Tax governance, control and risk management	Corporate Website: Tax Strategy and Governance	
	207-3 Stakeholder engagement and management of concerns related to tax	Corporate Website: Tax Strategy and Governance	
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Responsibility; Energy Efficiency and Carbon Footprint; Environmental Dashboard; Climate Change and Related Risks	V
GRI 302: Energy 2016	302-1 Energy consumption within the organization TC-SI-130a.1	Environmental Responsibility; Environmental Monitoring and Reporting; Energy Efficiency and Carbon Footprint; Environmental dashboard	V
SASB Environmental Footprint of Hardware Infrastructure	302-3 Energy intensity	Environmental Dashboard	V



Topics standards		Reference	Notes and omissions	External assurance
Water				
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Responsibility; Environmental Monitoring and Reporting; Water		V
GRI 303: Water 2018	303-1 Interactions with water as a shared resource	Environmental Monitoring and Reporting; Water		V
SASB Environmental Footprint of Hardware Infrastructure	303-3 Water withdrawal TC-SI-130a.2	Environmental Monitoring and Reporting; Water; Environmental Dashboard		V
	303-5 Water consumption	Environmental Monitoring and Reporting; Water; Environmental Dashboard		
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Responsibility; Environmental Monitoring and Reporting; Waste		V
	306-3 Waste generated	Environmental Monitoring and Reporting; Waste; Environmental Dashboard		V
GRI 306: Waste 2020	306-4 Waste diverted from disposal	Environmental Monitoring and Reporting; Waste; Environmental Dashboard		
	306-5 Waste directed to disposal	Environmental Monitoring and Reporting; Waste; Environmental Dashboard		
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	Environmental Responsibility; Energy Efficiency and Carbon Footprint; Climate Change and Related Risks		V
	305-1 Direct (Scope 1) GHG emissions	Energy Efficiency and Carbon Footprint; Environmental Dashboard		V
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Energy Efficiency and Carbon Footprint; Environmental Dashboard		V
	305-3 Other indirect (Scope 3) GHG emissions	Energy Efficiency and Carbon Footprint; Environmental Dashboard		V
	305-4 GHG emissions intensity	Energy Efficiency and Carbon Footprint; Environmental Dashboard		V
Responsible procurement				
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Procurement		V
GRI 308: Supplier Assessment 2016	308-1 Percentage of new suppliers that were screened using environmental criteria	Responsible Procurement		V
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Responsible Procurement		V



Strategic Report

APPENDIX continued

GRI content index continued

Topics standards	Reference	Notes and omissions	External assurance
Talent and development			
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Experience: Learning and Development; Employee Experience: Performance Management; Temenos Learning Hub	V
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee Experience: Learning and Development	V
SASB: Recruiting and Managing a Global, Diverse and Skilled Workforce	404-3 Percentage of employees receiving regular performance and career development reviews TC-SI-330a.2	Employee Experience: Performance Management	V
Diversity and inclusion			
GRI 3: Material Topics 2021	3-3 Management of material topics	Diversity Dashboard; Diversity, Inclusion and Equal Opportunity; Inclusive Culture; Wellbeing at Work	V
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Diversity Dashboard	V
	401-3 Employees on parental leave	Wellbeing at Work	V
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees TC-SI-330a.3 (gender and racial/ethnic group)	Diversity Dashboard	V
SASB: Recruiting and Managing a Global, Diverse and Skilled Workforce			
Human rights			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights; Inclusive Culture: Against Forced and Child Labor; Business Code of Conduct; Corporate Policies; Responsible Procurement	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights; Inclusive Culture: Against Forced and Child Labor; Responsible Procurement	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of child labor	Human Rights; Inclusive Culture: Against Forced and Child Labor; Responsible Procurement	



Topics standards	Reference	Notes and omissions	External assurance
Data privacy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Information Security, Cybersecurity, Data Privacy and Business Continuity; International Standards and Certifications	
GRI 418: Customer Privacy 2016 SASB: Data Security	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data TC-SI-230a.1	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
	Description of policies and practices relating to behavioral advertising and user privacy TC-SI-220a.1	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
	Number of users whose information is used for secondary purposes TC-SI-220a.2	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
SASB: Data Privacy and Freedom of Expression	Total amount of monetary losses as a result of legal proceedings associated with user privacy TC-SI-220a.3	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
	(1) Number of law enforcement requests for user information; (2) number of users whose information was requested; and (3) percentage resulting in disclosure TC-SI-220a.4	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering or censoring TC-SI-220a.5	Information Security, Cybersecurity, Data Privacy and Business Continuity: Privacy	
Technology and innovation			
Temenos 1	% of revenue spend on R&D	Annual Report: Overview; Technology and Product Innovation: Innovation and Technology	V
Client focus			
Temenos 2	Client Satisfaction: improvement by % points	Focus on Client Engagement; Goals and Targets: Client Engagement	V
	Client Voice: Number of participants annually and Net Promoter Score	Focus on Client Engagement; Goals and Targets: Client Engagement	V



Strategic Report

APPENDIX continued

International standards and certifications

	2022 goals	Progress against 2022 goals	2023 goals	2025 goals
ISO/IEC27001:2013 Information Security Management System with extensions:	To include Orlando, Philadelphia, Miami, Mexico and Quito into the scope of certification.	New locations mentioned against 2022 goals are now certified as per the plans and maintained certification for other locations.	To upgrade the certification to ISO 27001:2022 standards by the end of 2023.	To continue to expand the scope in order to include new locations/ acquisitions based on the business needs and directives from the management and also to remove locations, as deemed appropriate for business reasons.
ISO27017 Cloud Information Security	To comply with ISO27001, ISO27017 and ISO27018 standards has been maintained throughout 2021 audit period.	ISO27017 and ISO27018 certification program readiness for LATAM (Mexico and Ecuador) and NAM (US) has been completed with external audit conducted in Jan.2023. Report and certificates expected to be issued by end Q1-23.	To certify LATAM (Mexico and Ecuador) and NAM (US) locations for SO27017 and ISO27018 compliance by Q1-23.	To continue to integrate newly acquired companies and certify new locations on ISO27001, ISO27017 and ISO27018 standards.
ISO27018 Protection of Personally Identifiable Information (PII) in Public Clouds	To extend the ISO27017 and ISO27018 compliance program for LATAM and NAM relevant locations.	Compliance was maintained for the previously certified locations.	To include LATAM – Costa Rica locations in the ISO27017 and ISO27018 certification program scope.	
ISO22301:2019 Business Continuity Management	To include Product Analysis & Customer Support (PACS) in scope of ISO22301:2019. This change will allow Temenos to cover operations and support for both cloud and on-premise products and services. The current certificate covers only operations of cloud products. Additional locations will be added in scope of the ISO certificate.	Successful inclusion of PACS in scope of ISO22301:2019. Four additional locations added (Singapore, Luxembourg, New York and Geneva-HQ). Temenos BCM is now certified and associated with the operation and support of Temenos products and services (both cloud and on-premise).	To maintain the ISO22301:2019 certificate and complete successfully the annual surveillance audit.	To renew the ISO22301:2019 certificate and include in scope additional locations and business units.
	To renew ISO 22301:2109 certificate.	ISO22301:2019 certification renewal audit successfully completed with no findings. Certification renewed for the next 3 years, valid until 24 November 2025.		
ISO9001:2015 Quality Management	To include Hyderabad location into the scope.	Maintained certification. Hyderabad location was not included in the ISO9001 scope in 2022 due to other business priorities.	To include Hyderabad location during the recertification audits in 2023.	To extend ISO9001 and CMMI certifications to new locations and remove locations from scope, as deemed appropriate for product reasons.
ISO20121:2012 Sustainable Event Management and combined	To extend the certification to the corporate events planned for 2023.	To aim for ISO20121 Certification External Verification of our annual corporate events.	To certify and verify the two largest external Temenos events by an external verification organization: Temenos Kick Off (TKO) and the Temenos Community Forum (TCF).	To organize sustainable events.



	2022 goals	Progress against 2022 goals	2023 goals	2025 goals
ISO14001:2015 Environmental Management	To extend the certification to the remaining India office, located in Hyderabad.	Temenos India's Hyderabad office was certified in November 2022.	To sustain the existing certification and consider introducing new locations in the scope based on business needs.	To obtain certification for a total of eight Temenos offices based on headcount.
AICPA SOC Service Provider Security SOC 1 Type 2 SOC 2 Type 2 CSA-CCM	To continue the global SOC 2 Type 2, including compliance with CSA_CCM and SOC 1 Type 2 reporting. To incorporate as necessary new delivery centers and new acquisitions. To continue to provide global SOC3 report for public consumption.	Temenos included the former LogicalGlue (XAI) product and cloud service offering in the 2022 SOC reporting. SOC and CSA-CCM compliance attestations maintained.	To maintain on going SOC1, SOC2, SOC3 attestation reports for all Temenos cloud delivery centers. To continue inclusion of CSA-CCM compliance attestation into SOC2 report.	To include "Privacy" trust service criteria under SOC 2 audit coverage. To continue the global SOC 2 Type 2, SOC 1 Type 2 reporting. To integrate and align newly acquired companies to Temenos standard set of Security and Privacy controls.
CSA STAR Certificate/ Cloud Security Alliance – Cloud Controls Matrix	To obtain CSA-STAR Certificate Level 2.	CSA-STAR certificate Level 2 audit is in progress to ensure alignment with newly release CSA-CCM v.4. Report expected to be release by end of Q1-23.	To maintain compliance with CSA-STAR Level 2.	To obtain CSA-Star Certificate, Level 3 for Temenos and newly acquired companies.
PCI-DSS level 1 Payment Card Industry – Data Security Standard	To obtain PCI-DSS certificate for Temenos Cloud Americas Azure platform. To maintain current PCI-DSS certificates as applicable.	PCI-DSS certificate for Temenos Cloud Americas, Azure platform obtained.	To maintain existing certificates and compliance with PCI-DSS standards. Extend as applicable the PCI-DSS program. To certify Temenos Cloud AWS platform with PCI-DSS.	To further extend PCI-DSS certificate. To complete the readiness assessment against PCI – Secure Software Lifecycle and PCI – Secure Software standards. Prepare to attain industry certification.
ISO20000-1:2018 IT Service Management certification	To expand certification to EMEA regional teams in April 2022 and to APAC regional teams in November 2022.	EMEA regional teams and APAC regional teams are now certified as per the plans.	To sustain and expand the scope based on business needs.	To sustain and expand the scope based on business needs.
EU Cloud Code of Conduct	To enroll in the EU Cloud Code of Conduct compliance program.	Temenos become a voting member of the EU Cloud Code of Conduct General Assembly. Temenos achieved Level 1 compliance with the EU Cloud Code of Conduct in Q2-22.	To obtain Level 2 compliance with the EU Cloud of Conduct.	To maintain program compliance.

* For 2018–2020 progress, please visit our 2020 Report.



FINANCIAL REVIEW



Takis Spiliopoulos

Chief Financial Officer

A challenging operating environment in 2022



Introduction

Opening thoughts

We faced a challenging operating environment in 2022, with the energy crisis, double-digit inflation and macroeconomic concerns impacting demand, in particular in the second half of the year, resulting in a significant revision of our guidance at the time of our Q3-22 results announcement. At the start of the year we announced our transition to a subscription model, replacing term license and maintenance. This, combined with significant demand for SaaS, drove strong Annual Recurring Revenue growth of 13%, with our non-IFRS SaaS revenue in particular growing 32%. Non-IFRS total software licensing declined 3% and non-IFRS total revenue declined 2% in the face of some clients, in particular tier 1 and 2 banks, delaying decisions due to macroeconomic uncertainty. We also faced increased costs as we absorbed the headwind of post-pandemic cost increases, wage inflation and some one-off costs around services delivery. Our non-IFRS EBIT declined by 24% for the full year.

Our DSOs were at 129 days by year end, driven by the subscription transition, and we closed the year with USD 90 million of cash on our balance sheet and leverage of 2.0x net debt to non-IFRS EBITDA.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying operating performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For key metrics on a non-IFRS basis, where comparable IFRS measures are presented in the consolidated financial statements, a full reconciliation is published between IFRS and non-IFRS measures which highlights the adjustments. Non-IFRS adjustment definitions and reconciliations can be found on [pages 128 to 131](#).

Highlights

Full year highlights (non-IFRS) include:

- Annual Recurring Revenue (ARR) growth of 13% in FY-22;
- total software licensing decline of 3% in FY-22;
- Free cash flow (FCF) down 46% in FY-22;
- announced move to subscription model to accelerate growth and drive recurring revenue; and
- proposed dividend of CHF 1.10 for FY-22 to be voted on at the AGM.

Key figures 31 December

USDm, except EPS

	2022	2021
Non-IFRS revenue	949.6	967.0
Non-IFRS EBIT	272.4	356.8
Non-IFRS EBIT margin	28.7%	36.9%
Cash generated from operations	316.6	473.0
Total assets	2,231.8	2,234.1
Non-IFRS earnings per share (USD)	2.82	3.80



We faced a number of challenges in 2022 due to combination of sales execution and macroeconomic uncertainty. Despite these challenges, I am pleased with the performance of the business, in particular around the transition to subscription, strong SaaS demand and growth in Annual Recurring Revenue.”



Strategic Report

FINANCIAL REVIEW continued

Revenues

IFRS

IFRS Group revenues were USD 949.6 million for 2022, a decline of 2% versus 2021 on a reported basis.

IFRS total software licensing declined 3% in the year, as some banks delayed decision making in the face of macroeconomic uncertainty. We saw continued strong growth in demand for SaaS, resulting in IFRS SaaS revenue growth of 32%. This was driven by a combination of new logos as well as increased consumption from existing SaaS clients.

IFRS maintenance revenues grew 2% on a reported basis and IFRS services revenues declined 8%.

Non-IFRS

Total non-IFRS Group revenue in 2022 was USD 949.6 million, a decline of 2% compared to 2021 on a reported basis.

Cost base

IFRS

Full year costs on an IFRS basis were USD 786.2 million, up from USD 728.9 million in 2021. The increase in cost was driven by post-Covid cost increases, in particular around travel and sales and marketing, as well as wage inflation and an increase in services costs around a number of implementations. IFRS 2 costs were USD 47.8 million and in line with expectations.

Non-IFRS

Full year costs on a non-IFRS basis were USD 677.2 million, up from USD 610.2 million in 2021. Of the USD 109.0 million difference between the IFRS and non-IFRS cost base, USD 45.8 million is due to adjustments made for the amortization of acquired intangibles costs, USD 47.8 million is due to IFRS 2 costs and USD 15.4 million is due to the net adjustments made for restructuring costs and acquisition-related costs and charges.

EBIT (operating profit) and Earnings Per Share (EPS)

IFRS

Full year IFRS EBIT was USD 163.4 million compared to USD 238.1 million in 2021. IFRS EPS for 2022 was USD 1.59, compared to USD 2.40 in 2021.

Non-IFRS

EBIT on a non-IFRS basis was USD 272.4 million, down from USD 356.8 million in 2021, a decline of 24% on a reported basis. EPS was USD 2.82, down from USD 3.80 in 2021, a decline of 26%.

Non-IFRS EBIT margin was 28.7%, down from 36.9% in 2021.

Cash flows

We generated USD 316.6 million of operating cash in 2022, down 33% from 2021 and representing a cash conversion of 105% of EBITDA.

We generated free cash flow of USD 192.9 million in the year, down 46% from 2021. We have already reached the low point of our free cash flow generation in 2022 due to the transition to subscription and, going forward, the positive working capital impact of SaaS will more than offset any remaining negative impact from the move to subscription. We have guided for a growth of at least 12% in 2023 and that free cash flow will reach >USD 700 million in the mid-term.

DSOs ended the year at 129 days, an increase of 12 days from 2021 as we transitioned to a subscription model throughout the year.

USDm, except EPS	Non-IFRS			IFRS		
	2022	2021	Change	2022	2021	Change
Subscription	105.7	14.4	634%	105.7	14.4	634%
Term license	135.4	277.8	-51%	135.4	277.8	-51%
SaaS	163.7	123.7	32%	163.7	123.7	32%
Total software licensing	404.8	415.9	-3%	404.8	415.9	-3%
Maintenance	401.9	395.1	2%	401.9	395.1	2%
Services	142.9	156.0	-8%	142.9	156.0	-8%
Total revenues	949.6	967.0	-2%	949.6	967.0	-2%
EBIT	272.4	356.8	-24%	163.4	238.1	-31%
EBIT margin	28.7%	36.9%	-8% pts	17.2%	24.6%	-7% pts
EPS (USD)	2.82	3.80	-26%	1.59	2.40	-34%



Balance sheet and financing

Temenos is highly cash generative with a strong balance sheet which enables:

- investment in the business, including industry-leading R&D spend;
- the servicing of our debt obligations;
- funding for targeted acquisitions;
- the payment of an annual dividend; and
- delivering of value to shareholders through share buybacks.

We continue to actively pursue acquisition opportunities as a driver of shareholder value creation, as well as investing in the business to position ourselves for the market opportunity.

We ended 2022 with a leverage ratio of 2.0x net debt to non-IFRS EBITDA and have capacity to pursue inorganic growth opportunities to accelerate our organic growth in line with our M&A strategy if they arise.

Dividend

We have announced a proposed dividend of CHF 1.10 per share for 2022, representing an increase of 10% over last year. This is subject to shareholder approval at the AGM on 3 May 2023. The shares will trade ex-dividend on 5 May 2023 and the dividend record date will be set on 8 May 2023. The dividend will be paid on 9 May 2023. The dividend will be taken from the retained earnings (cash dividend) and is therefore taxable (WHT 35%). Temenos' policy is to distribute a growing dividend.

Looking forward

Medium-term guidance

We have announced medium-term targets as follows:

- Annual Recurring Revenue (ARR) to reach more than USD 1.3 billion;
- non-IFRS EBIT to reach more than USD 570 million; and
- free cash flow to reach more than USD 700 million.

Engines of growth

Temenos continues to benefit from multiple structural drivers of growth, which will enable us to meet our medium-term targets.

The serviceable addressable market of banking spend on third party software is estimated to be USD 23 billion in 2022, growing at around 11% CAGR to reach USD 34 billion in 2026, driven primarily by the need for banks to digitize their software stack front to back. Within this market, SaaS and cloud demand is growing significantly faster than on-premise demand, at around 34% CAGR. The rise in demand for SaaS and cloud is benefiting both of our key revenue streams as banks seek to benefit from the use of cloud infrastructure. Banks can buy subscription contracts from Temenos and run the software themselves, or SaaS where Temenos cloud operations teams run the applications and infrastructure on behalf of the bank.

We continue to expect a significant contribution from tier 1 and 2 clients, which have contributed 43% of total software licensing revenues in 2022. Going forward we expect tier 1 and 2 clients to contribute between 50-55% of total software licensing in the mid-term. We have significantly expanded our footprint in North America, which contributed 37% of total software licensing in 2022, and we expect this to grow to 45-50% of total software licensing in the mid-term. Lastly, with the move to a subscription model and the acceleration in our SaaS business, we expect our ARR to reach more than USD 1.3 billion in the mid-term.

Final remarks

Despite the challenges we faced in 2022, we made significant progress on our transition to a recurring revenue subscription model. The move to subscription based pricing has been very successful and is expected to be largely complete by the end of 2023 and demand for SaaS remains strong. We have made significant investments in 2022 which gives us a strong basis for growth in the medium term.

Panagiotis “Takis” Spiliopoulos
Chief Financial Officer

Strategic Report

FINANCIAL REVIEW continued

Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of alternative performance measures that are not defined under IFRS and are therefore classified as non-IFRS. The alternative performance measures used by the Group are explained as follows:

Annual Contract Value (ACV)

Annual value of incremental business taken in-year. Includes new customers and up-sell/cross-sell. Only includes the recurring element of the contract and excludes variable elements.

Annual Recurring Revenue (ARR)

Annualized contract value committed at the end of the reporting period from active contracts with recurring revenue streams. Includes new customers, up-sell/cross-sell and attrition. Excludes variable elements.

Total bookings

Includes fair value of license contract value, committed maintenance contract value on license and SaaS committed contract value. It must all be committed and evidenced by duly signed agreements.

Days sales outstanding (DSO)

Days sales outstanding is the average number of days that receivables remain outstanding. It has been calculated as the closing net trade receivables and contract assets at year end divided by total annual revenue multiplied by 365 days.

USDm	2022	2021
Trade receivables and contract assets – net	334.9	310.5
Non-IFRS revenue	949.6	967.0
Number of days per year	365	365
Days sales outstanding (DSO) (days)	129	117

Free cash flow

Net cash flows from operating activities and cash flows from investing activities associated with capital expenditure on non-current assets (property, plant and equipment, intangible assets and capitalized development costs).

USDm	2022	2021
Net cash generated from operating activities	297.9	460.1
(Purchase)/disposal of property, plant and equipment	(16.4)	(8.1)
Purchase of intangible assets	(2.3)	(3.4)
Capitalized development costs	(86.3)	(90.5)
Free cash flow	192.9	358.1

Operating cash flow conversion

Cash generated from operations divided by adjusted IFRS EBITDA (adjusted to exclude non-recurring specific items).

USDm	2022	2021
Cash generated from operations	316.6	473.0
IFRS EBITDA	302.0	382.1
Adjusted IFRS EBITDA	302.0	382.1
Operating cash flow conversion (%)	105%	124%

Leverage

Net debt divided by non-IFRS EBITDA.

USDm	2022	2021
Net debt	(737.6)	(821.1)
Non-IFRS EBITDA	364.6	447.7
Leverage (ratio)	2.0	1.8

EBITDA*

Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as operating profit excluding depreciation of property, plant and equipment and amortization of intangible assets.

* Reconciled with comparable IFRS measures.



Reconciliation from IFRS to non-IFRS – EBIT/EBITDA

USDm	2022	2021
IFRS EBIT	163.4	238.1
Amortization of acquired intangibles	45.8	52.7
Restructuring	14.4	16.0
Acquisition-related charges/(credits)	1.0	1.4
Share-based payment	47.8	48.6
Non-IFRS EBIT	272.4	356.8
IFRS EBIT	163.4	238.1
Depreciation and amortization	138.6	144.0
IFRS EBITDA	302.0	382.1
Restructuring	13.8	15.6
Acquisition-related charges/(credits)	1.0	1.4
Share-based payment	47.8	48.6
Non-IFRS EBITDA	364.6	447.7

Reconciliation from IFRS earnings to non-IFRS earnings

USDm	2022	2021
IFRS EBIT	163.4	238.1
Finance cost – net	(17.4)	(26.6)
Taxation	(31.5)	(38.1)
IFRS net earnings (Profit)	114.4	173.4
Number of shares – diluted (000)	71,957	72,377
IFRS EPS (USD)	1.59	2.40
IFRS net earnings (Profit)	114.4	173.4
Amortization of acquired intangibles	45.8	52.7
Restructuring	14.4	16.0
Acquisition-related charges / (credits)	1.0	1.4
Share-based payment	47.8	48.6
Acquisition/investment related finance cost	(4.4)	—
Taxation	(15.9)	(17.1)
Non-IFRS net earnings (Profit)	203.1	274.9
Number of shares – diluted (000)	71,957	72,377
Non-IFRS EPS (USD)	2.82	3.80

DEFINITIONS

Non-IFRS adjustments

Deferred revenue write-down

Fair value adjustments (write-down) made to deferred revenue resulting from acquisitions under IFRS is adjusted back for non-IFRS.

Discontinued activities

Discontinued operations at Temenos that do not qualify as such under IFRS.

Acquisition-related charges

Relates mainly to advisory fees, integration cost and earn out credits or charges.

Amortization of acquired intangibles

Amortization charges as a result of acquired intangible assets.

Restructuring

Costs incurred in connection with a restructuring program or other organizational transformation activities planned and controlled by management. Severance charges, for example, would only qualify under this expense category if incurred as part of a Company-wide restructuring plan.

Share-based payment charges

Adjustment made for share-based payments and social charges, applicable only to non-IFRS numbers.

Acquisition/investment related finance cost

Mainly relates to acquisition and investment related expenses and fair value changes on investments.

Taxation

Adjustments made to reflect the associated tax charge mainly on deferred revenue write-down, amortization of acquired intangibles, fair value changes on investments and share-based payments, on the basis of Temenos' expected effective tax rate.

Other definitions

Constant currencies

Prior year results adjusted for currency movement.

Like-for-like (LFL)

Adjusted prior year for acquisitions and movements in currencies.

SaaS

Revenues generated from SaaS licenses.

Net debt

Total borrowings (current and non-current) and cross-currency swaps less cash and cash equivalents.

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES

Responsible risk management

Risk management

Risk management provides independent oversight over the portfolio of key risks impacting Temenos and manages emerging risks with a potential business impact.

We have established a Group Risk Management function overseen and managed by the Chief Risk Officer to monitor and manage enterprise risks including the establishment of a Group level Risk Management Framework which is aligned with ISO31000: Risk management and COSO ERM methodology. We have established an enterprise risk appetite and monitor aggregated risk exposure quarterly. The framework establishes governance and oversight at the Board and management levels and defines risk management roles and responsibilities for all Temenos employees.

The Audit Committee of the Board of Directors is responsible for oversight of the risk appetite for the organization factoring opportunities for business growth and development and maintaining our status as a trusted partner to clients that operate in highly regulated environments that are dependent on Temenos products and services to meet the needs of their clients to deliver best-in-class financial services to the markets they serve. The Audit Committee of the Board of Directors has approved a risk appetite for the key enterprise risks defined. We have implemented an enterprise risk management program to monitor risk exposure against agreed upon risk appetite levels and implement risk mitigation strategies when assessed risks exceed approved risk appetite levels.

Risks are regularly assessed and monitored against risk appetite levels to ensure the business is operating within the defined risk appetite and management action plans are developed when a deviation from the defined risk appetite is detected.

A top-down approach has been adopted to ensure alignment between enterprise objectives and risk management program capabilities to ensure enterprise risks are effectively identified, assessed, monitored and managed to support the achievement of strategic objectives.

Risk management framework

The Group Level Risk Management Framework establishes the vision, mission, objectives, scope and approach for managing enterprise level risks within Temenos. A three lines of defense risk management structure has been adopted which includes clearly defined risk management roles and responsibilities within Temenos for the Board, management and all Temenos employees.

The Group Level Risk Management Framework establishes key program components including the following:

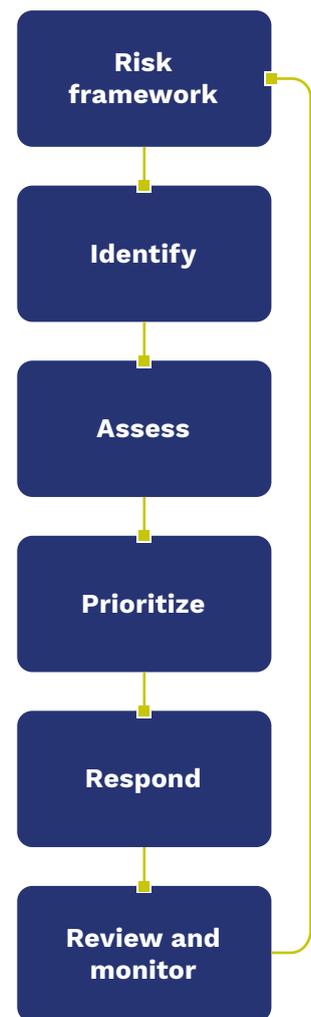
- culture and awareness;
- governance structure including defining roles and responsibilities; and
- program activities:
 - risk identification/definition;
 - establishing risk appetite;
 - risk assessment;
 - risk monitoring; and
 - risk reporting.

Culture and awareness

Integrating risk management within organizational culture is key to ensuring the effectiveness of risk management program objectives. Culture and awareness are key elements in ensuring that risk taking activities are performed in a measured and calculated manner and do not expose the organization to situations that could impact shareholder value or introduce unwanted risks, exposure, or legal liability.

The risk management culture within Temenos is supported by the following mechanisms:

- clearly defined roles and responsibilities;
- effective governance and oversight;
- risk reporting transparency;
- embedding risk management within key business decisions, programs and initiatives; and
- management support over the risk management program.





Governance and oversight

We have a governance and oversight structure in place which is aligned with defined roles and responsibilities and three lines of defense principles to ensure transparency and accountability within the organization for risk management activities and reporting.

Audit Committee of the Board

The Audit Committee of the Board is responsible for reviewing and approving the Group level Risk Management Framework and risk appetite annually as well as reviewing risk reporting and monitoring the Group risk appetite against assessed exposure levels.

Group Risk Management Committee

The Group Risk Management Committee is chaired by the Chief Risk Officer and is comprised of a cross section of senior management members and is responsible for establishing the tone at the top within Temenos related to the Group risk management program, monitoring risk exposure levels against the defined and approved risk appetite and developing and overseeing risk management plans to ensure the organization can operate within approved risk levels.

Group Risk Management team

The Group Risk Management team reports to the Chief Risk Officer and is responsible for the design, development, implementation and management of the Group Level Risk Management Program including developing enterprise risk taxonomies, facilitating various risk assessments, monitoring and aggregating risk exposure levels, preparing Group level risk reporting and risk appetite monitoring to management and the Board and facilitating key risk management program activities. The Group Risk Management team represents the second line of defense within the 3 lines of defense risk management structure and are responsible to perform an independent challenge over risk management activities taken by various risk owners.

Risk Owners

Risk Owners are defined within the Group risk taxonomy and are accountable for managing risks within their areas of responsibility as the first line of defense. Risk owners are responsible for risk identification, risk assessment and risk management activities including the development and implementation of risk management plans and strategies where assessed risk levels are outside of the defined Group level risk appetite.

Program activities

There are multiple components of the Group Risk Management program including the following:

- **Risk identification/definition** – We have a process to identify and define key enterprise level risks, aggregate risks within the Group risk taxonomy to ensure alignment between risk management program activities, risk monitoring and reporting and assessing risk exposure against defined risk appetite.
- **Risk appetite** – We have risk appetite statements that define qualitative risk levels agreed to by management and the Board within which Temenos operates within in the pursuit of key business activities.
- **Risk assessment** – Risk assessments are conducted regularly across the organization at various levels of detail and granularity to assess inherent risk levels, map risks to controls and assess residual risk levels within Temenos.
- **Risk monitoring** – We aggregate and monitor risks on a quarterly basis against the defined risk appetite to determine if the organization is operating within the defined risk appetite. To the extent that risks are identified and assessed that are outside of the defined risk appetite levels, action plans are developed, monitored and tracked to ensure residual risk levels remain aligned with the Group level risk appetite.
- **Risk reporting** – Risks are reported regularly to the Audit Committee of the Board and the Group Risk Management Committee. Risk reporting includes aggregated Group level risks, risk heatmaps and monitoring aggregated risk exposure levels against risk appetite to ensure effective awareness and oversight of risk impact Temenos. Management action plans are also included within risk reporting to ensure effective oversight over risk mitigation activities.

Internal controls

In addition to the Group Risk Management Framework, there is also a robust internal control system in place for financial reporting and key operational and fraud risks that goes beyond statutory requirements. All relevant risks are identified, formally assessed and documented. For each risk we have implemented specific controls and mitigation plans and these are documented in formal risk and control matrices. The effectiveness of the controls is regularly evaluated through a formal self-assessment process which is independently reviewed and tested by both internal and external audit.

While it is management's responsibility to design, implement and operate effective risk management practices and controls, it is the role of Group Internal Audit, to evaluate the effectiveness of risk management and internal controls, assess compliance with policies and procedures and provide assurance to senior management and Board of Directors on their overall effectiveness.

To ensure the independence and objectivity of Internal Audit, the Group Head of Internal Audit reports functionally to the Audit Committee. The role, responsibilities and authority of the Head of Internal Audit and the function are set out in the Internal Audit Charter, which is reviewed and approved annually by the Committee. All Temenos employees, contractors, Partners and suppliers are required to cooperate fully with Group Internal Audit when requested and to provide access to all records, property and personnel, as required.

The following sections outline the key risks that we have identified and track. They represent an aggregated view.



Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES continued

Economic, political and social environment

Temenos derives most of its licensing, SaaS, maintenance and services revenues from banks and other financial institutions. The banking industry is sensitive to changes in global economic conditions and financial markets and is highly susceptible to unforeseen external events, such as political instability, terrorist attacks, recession, inflation, currency fluctuations, interest rate changes, environmental, public health, or other adverse occurrences that may result in a significant decline in the use and/or profitability of financial services. Any event that results in decreased consumer or corporate use of financial services, or cost-cutting measures by financial services companies, may negatively affect the level of demand for Temenos products and services. Any reduction in the demand for the Group's products in the banking and finance industries or decrease in success in marketing the Group's products to financial sector clients and prospective clients could have a material adverse effect on the Group's operations and financial condition and results. Furthermore, if any of the above factors affect the financial stability of our clients there may be an adverse impact on our ability to recover fees for the services provided to them.

Temenos' sustainable global presence, organizational structure, internal controls, international mobility and working from anywhere service delivery to clients, comprehensive product offering and market leadership help to mitigate this risk.

Law and litigation

Temenos operates in various legal jurisdictions and as such is subject to various legal and regulatory requirements. Temenos may have legal proceedings or litigious actions brought against it. The outcome of these proceedings or actions are intrinsically uncertain and the actual outcomes could differ from the assessments made by management in prior periods, resulting in increases in provisions for litigation in the accounts of Temenos. Adverse outcomes to legal proceedings or litigious actions could result in the award of significant damages or injunctive measures that could hinder Temenos' ability to conduct business and could have a material adverse effect on its reputation, business, operating results and financial condition.

Litigation of intellectual property infringement claims may increase as a result of Temenos acquiring companies which rely on third party code, including open source code, Temenos expanding into new areas of the banking industry resulting in greater overlap in the functional scope of products and increasing assertion of intellectual property infringement claims by non-practicing entities that do not design, manufacture, or distribute products.

Although Temenos has implemented controls and believes that its products do not infringe upon the intellectual property rights of others and that Temenos has all the rights necessary to utilize the intellectual property employed in its business, Temenos is still subject to the risk of claims alleging infringement of third party intellectual property rights, including in respect of intellectual property that has been developed by third parties and acquired by Temenos in business or asset purchase transactions. Responding to such claims, regardless of whether they are with or without merit, and negotiations or litigation relating to such claims could require Temenos to spend significant sums in litigation costs, payment of damages and expend significant management resources. In addition, such claims could lead to delivery delays or require the Group to enter into royalty or licensing agreements on unfavorable terms, discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. The Group's liability insurance does not protect it against the risk that its own or licensed third party technology infringes the intellectual property of others. Therefore, any such claims could have a material adverse effect on the Group's reputation, business, operating results and financial condition.

Temenos legal teams are aligned to business operations and are involved early in any decisions which may incur legal implications. The legal team reviews and provides guidance on complex client contracts to ensure contractual agreements align to local commerce laws and regulations. Whenever possible, Temenos tries to contractually limit its liabilities. This is covered further in Foreign Operations.

More broadly, the risk of potential breach of legislative or regulatory requirements through general operations, such as breach of listing requirements or Group level legal requirements, are managed through Group level controls, compliance policies and procedures.

Policy compliance requirements are periodically assessed through Risk Management processes and reviewed by Internal Audit to provide comfort over adequacy of policies, processes and compliance.

IP protection

Temenos relies upon a combination of copyright, trademark and trade secrecy laws, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and protect its proprietary rights and Temenos' ability to do so effectively is crucial to its success. Temenos enters into agreements with its employees, Partners, distributors and clients that seek to limit the distribution of and otherwise protect its proprietary information. However, Temenos cannot give full assurances that the steps taken will be adequate to prevent misappropriation of its proprietary information as all of the protection measures afford only limited protection. Temenos' proprietary rights could be challenged, invalidated, held unenforceable, or otherwise affected. Certain proprietary technology may be vulnerable to disclosure or misappropriation by



employees, Partners or other third parties, and third parties might reverse-engineer or otherwise obtain and use technology and information that Temenos regards as proprietary.

Accordingly Temenos might not be able to protect its proprietary rights against unauthorized third party copying or utilization, which may undermine Temenos' market position and deprive it of revenues.

Temenos may not be able to detect unauthorized use of its intellectual property, or take appropriate steps to enforce Temenos' intellectual property rights. Temenos' products are used globally and are therefore subject to varying laws governing the protection of software and intellectual property in each of these jurisdictions. Temenos cannot guarantee that its software and intellectual property will be afforded the same level of protection in each jurisdiction, as some jurisdictions may offer no effective means to enforce Temenos' rights to its proprietary information, which could result in competitors offering products that incorporate features equivalent to Temenos' most technologically advanced features, which could have a material adverse effect on Temenos' business, results of operations and financial condition.

Any legal action that Temenos may bring to enforce its proprietary rights could involve enforcement against a Partner or other third party, which may have a material adverse effect on its ability, and its clients' ability, to use that Partner's or other third parties' products. Moreover, litigation, which could involve significant financial and management resources, may be necessary to enforce Temenos' proprietary rights. Any material infringement of Temenos' proprietary technology could have an adverse effect on its reputation, business, financial position, profit and cash flows. Our Partner contracts are designed in a manner which provides clarity and understanding of both parties with regard to the protection and safeguarding of their IP.

Regulatory compliance

Temenos is a technology service provider for financial services institutions which are regulated and overseen by a diverse set of regulatory authorities based on the various jurisdictions Temenos operates within. As such, Temenos is subject to direct and indirect financial regulatory supervision based on the portfolio of products and services offer to clients in a global client ecosystem. A failure to comply with regulatory requirements and expectations could result in enforcement actions, sanctions, administrative orders that can be judicially enforced and result in monetary penalties and other adverse scenarios.

As the utilization of cloud and SaaS products grows, there is increased dependence on Temenos as a material outsourced technology service provider, regulatory scrutiny and oversight also increases and the degree of exposure to regulatory examinations, sanctions and fines also increases.

We have programs and capabilities to assess, identify and monitor applicable regulatory requirements and we have programs in place to manage compliance with a diverse set of regulatory expectations and requirements.

These programs continue to be enhanced as the degree of regulatory scrutiny increases with new requirements such as DORA (Digital Operational Resiliency Act). Regulatory compliance capabilities will continue to mature as the legislative and regulatory landscape evolves and new requirements are implemented.

Undetected defects or security vulnerabilities

Temenos' products and offerings may contain defects or security vulnerabilities that Temenos has not been able to detect and that could adversely affect the performance of the products and negatively impact Temenos' relationship with its clients. It is not always possible to identify and rectify all errors or defects during a product or services developmental phase and more commonly Temenos has discovered minor software defects in certain new versions and enhancements of its products after they have been introduced. The detection and subsequent correction of any errors or defects can be expensive and time consuming and it is not always possible to meet the expectations of clients regarding the timeliness and the quality of the defect resolution process. In a worst-case scenario, it might not be possible to wholly rectify certain defects or entirely meet client expectations. In such circumstances it is possible that clients may pursue claims for refunds, damages, attempt to terminate existing arrangements, request replacement software, or seek other concessions.

A defect or error in any newly developed software of Temenos could result in adverse client reactions and negative publicity, as Temenos' clients and potential clients are highly sensitive to defects in the software they use. Any negative publicity could hinder the successful marketing of the new software, reducing demand for the software. A defect or error in new versions or enhancements of Temenos' existing products could result in the loss of orders or a delay in the receipt of orders and could result in reduced revenues, delays in market acceptance, diversion of development resources, product liability claims, or increased service and warranty costs, any of which may have a material adverse effect on Temenos' business, results of operations and financial condition. Any claim brought against Temenos in connection with defective software, regardless of its merits, could entail substantial expense and require a significant amount of time and attention by management personnel.

We have a comprehensive Quality Management System in place as part of the software development lifecycle. We have centralized our product security group and practices. Extensive testing is carried out to identify and resolve any issues which may adversely affect the functionality, security and other performance of our products and offerings.

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES continued

Key personnel

Temenos operates in an industry in which there is intense competition for experienced and highly qualified individuals. The success of Temenos is partly dependent on its ability to identify, attract, develop, motivate, compensate and retain highly skilled and qualified management and other personnel, particularly those with expertise in banking software, cyber and information security and cloud and SaaS operations. There is intense competition for experienced and highly skilled personnel globally and if Temenos fails to recruit and retain the numbers and types of employees that it requires, its business, operating results and financial condition may be adversely affected.

Compensation, incentive and recognition programs are utilized to align staff efforts to organizational objectives and are reviewed regularly. Employees receive a range of training and development to ensure they have the necessary skills to perform their duties. Various CSR initiatives are in place to demonstrate our commitment to a purposeful workplace. Career and succession planning is reviewed regularly to provide for continuity of operations.

Share-based compensation

Our compensation program was previously based purely on stock appreciation rights. In the last 18 months, we have been transitioning the LTI program to include performance stock units and restricted stock units which are more in line with general market practice especially in Europe. This has created important tools in attracting and retaining senior employees in a challenging market. Any changes in our compensation practices or those of our competitors could affect our ability to retain and motivate existing personnel and to recruit new personnel. We therefore periodically review our compensation schemes and consider changes from time to time, such as amending the number of employees granted equity awards or the number or type of equity awards granted per employee.

Foreign operations

Temenos has 3,000 clients in over 150 countries and it has sales and support offices in 39 countries. Temenos' future revenue growth depends on the continued successful expansion of its development, sales, marketing, support and service organizations, through direct or indirect channels, in the various countries around the world where its current and potential clients are located, including in many developing countries. Such expansion may require the opening of new offices, hiring new personnel and managing operations in widely disparate locations with different economies, legal systems, languages and cultures and may require significant management attention and financial resources. Temenos' operations are also affected by other factors inherent in international business activities, such as:

- differing or even conflicting laws and regulation of risk and compliance in the banking sector;
- difficulties in staffing including works councils, labor unions and immigration laws, changing work practices (e.g. flexible working, working from home and part-time working) and foreign operations;
- the complexity of managing competing and overlapping tax regimes;
- differing import and export licensing requirements;
- operational difficulties in countries with a high corruption perception index;
- protectionist trade policies such as tariffs;
- limited protection for intellectual property rights in some countries;
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions;
- differing data protection and privacy laws; and
- political and economic instability, outbreaks of hostilities, terrorism, mass immigration, international embargoes, sanctions and boycotts.

The risks associated with the factors stated above will intensify as Temenos expands further into new countries and markets through organic growth or acquisitions. Additionally laws and regulations and governments' approaches to their enforcement, as well as Temenos' products and services, are continuing to change and evolve. Compliance with the laws and regulations in the various jurisdictions may involve significant management time and costs and require costly changes to products and/or business practices.

Risks related to foreign operations are regularly assessed and mitigated as needed. Specific policies and procedures are in place to ensure compliance with export control and sanctions, anti-bribery and corruption, anti-money laundering, data protection and privacy and other legislation.

Foreign exchange and/or interest rate fluctuations

Temenos' financial statements are expressed in US dollars and Temenos generates the majority of its revenues in US dollars. However, a significant portion of its operating expenses are incurred in currencies other than the US dollar, particularly in Euros, Swiss francs, Rupees and Pounds sterling.

Temenos is exposed to the fluctuation in exchange rates of each of these currencies. Temenos makes efforts to mitigate its foreign exchange risk by aligning its revenue streams to currencies that match its cost base and hedges most of the material residual exposure by the use of derivative instruments. However, such hedging may not be sufficient protection against significant fluctuations in the exchange rate of the US dollar to other currencies, in



particular those currencies in which Temenos incurs operating expenses, generates revenues, or holds assets. Such fluctuations may impose additional costs on Temenos and have a material adverse effect on Temenos' financial condition and results of operations and on the comparability of its results between financial periods.

Furthermore, the Group is exposed to the fluctuation in interest rates. Some of the Group's financing arrangements bear interest at floating rates of interest plus a margin and are adjusted periodically. These interest rates could rise significantly in the future. To the extent that interest rates were to increase, the Group's interest expense would correspondingly increase, reducing Group cash flow. This could have a material adverse effect on the Group's business, financial condition and results of operations.

Temenos uses a combination of various techniques to protect against currency and interest rate fluctuations including using derivatives to mitigate the risk when it is deemed to be significant in compliance with the terms of Temenos and credit facilities.

Compliance with the terms of Temenos credit facilities

Temenos has credit facilities in place with a syndicate of banks. The facilities contain financial covenants, undertakings and event of default provisions. Moreover, the facilities contain cross-default provisions such that a default under another debt instrument, such as bonds, could result in a default under the credit facilities and acceleration of the debt thereunder.

The inability of Temenos to draw down the credit facilities to satisfy its financing requirements could have an adverse effect on Temenos' growth. Compliance with the terms is monitored on a monthly basis.

Managing client relationships

Temenos enters into long-term relationships with its clients. The contractual arrangements supporting these relationships are often varied and diverse to reflect the nature of the requirements of the client factoring in specific legal and cultural requirements of the client's operating environment as well as the multiple stages of the relationship.

Temenos regularly assesses client satisfaction and proactively seeks and responds to client feedback.

Mechanisms for tracking and oversight of contract clauses are utilized by the global contract team to provide additional comfort over the effective management of client contractual arrangements.

Temenos aims to build long-term strategic relationships with clients in order to maximize the value provided to both parties. Through strong relationships, Temenos is able to further develop products according to industry needs and requirements.

Strategic partnerships

Temenos delivers its products to clients directly and indirectly through distributors and through strategic alliances with IT service providers. Temenos' strategic partners sell to clients and provide implementation services through a contract with the client, rather than with Temenos. These relationships with IT service providers and strategic partners help to drive co-innovation of Temenos' products, profitably expand Temenos' routes-to-market to enhance market coverage and provide high-quality services in connection with Temenos' product offerings. Any failure to maintain and expand these relationships could adversely affect Temenos' products and services which, in turn, would have an adverse effect on Temenos' ability to compete successfully with its competitors and therefore negatively affect the results of operations and financial condition.

Cloud and SaaS solutions

Cloud and SaaS technology is inherently complex and as such, Temenos may be subject to changing regulatory requirements, evolving client attitudes and technical complexities in developing new business offerings and support services. Temenos may fail to achieve desired operating profit results in this market due to regulatory changes, inability to develop a competitive product which appeals to its clients.

In delivering its SaaS and cloud services, Temenos is highly dependent on the availability and security of underlying infrastructure provided by various suppliers including for example Microsoft Azure and Amazon Web Services (AWS). By providing cloud and SaaS technology to clients, Temenos will hold client data. Hardware, software, network or data center failures, product defects or system errors could result in data loss or corruption, or cause the information held to be incomplete or contain inaccuracies. The availability of Temenos' application suite could be interrupted by a number of factors, such as the failure of a key supplier, its network, or software systems due to human or other error and security breaches.

Although Temenos employs strict security, data protection and privacy measures there is a risk that such measures could be breached as a result of malicious third party action, employee error and malfeasance, or otherwise, and if as a result unauthorized access is obtained to client data, which may include personally identifiable information about users, Temenos could suffer significant reputational damage and be exposed to significant liabilities.



Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES continued

Cloud and SaaS solutions continued

Temenos continues to enhance its cloud and SaaS offering and associated security controls. Temenos holds an annually renewed SSAE18, SOC 1, SOC 2 and SOC 3 along with a CSA-CCM (Cloud Security Alliance – Cloud Control Matrix) compliance attestation. ISO9001, ISO27001, ISO27017, ISO27018, ISO20000-1 and ISO22301 certifications also provide a greater degree of assurance to clients. Temenos has further extended its independent compliance validation program by certifying the Azure Infrastructure against PCI-DSS standard for Temenos Australia and Temenos Americas clients.

Software implementation project management

The implementation of Temenos' software and integration of various product components is a complex process requiring skilled and experienced personnel. The implementation of Temenos' software is often performed in part or wholly by service delivery partners as well as committed resources of the client. The complex nature of the solutions makes it necessary to provide training and education on the operation of the product.

The reliance on third party capabilities and the complex nature of product customization and installation requirements mean that there is a high potential for unforeseen events to occur delaying the progress of implementations.

Temenos focuses heavily on training the staff and Partners responsible for implementation of software to ensure a strong mix of qualified project managers and technical product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and Partners in Temenos Implementation Methodology and products. Our provision of the Temenos Learning Community (TLC) shows our ongoing commitment to this area.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools is used to monitor and track potential issues which may adversely impact the successful installation of software. Project governance boards are held regularly to oversee the delivery of the implementation against milestones.

Temenos Implementation Methodology is periodically reviewed and updated in order to maintain high standards for Temenos staff and Partners. Identified initial project risks receive an increased level of review and analysis in order to more effectively mitigate and monitor them throughout the life of the implementation project.

To further enhance the operational oversight for SaaS projects implementation, Temenos has formed a Cloud "Architecture Board" (CAB) and a Cloud "Operational Readiness Board" (ORB). The Board's mission is to provide early guidance on SaaS project implementation work, monitor and review client deployment readiness, oversee and approve the operational solutions introduced to

cloud environment and make sure such solutions will not impact Temenos' ability to meet clients security, resilience, support and service level expectations.

Mergers and acquisitions

Temenos pursues a strategy of making targeted acquisitions. The risks associated with such a strategy include the availability of suitable candidates and successful integration. Risk of failure to assimilate operations and personnel may materialize. The process of integrating an acquired company or business may create unforeseen operating difficulties and expenditures.

Further consolidation in Temenos' industry may decrease the number of potential desirable acquisition targets. Failure to acquire, integrate and derive the desired value of any businesses or assets in the future could materially adversely affect Temenos' business, results of operations and financial condition.

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets on Temenos' statement of financial position.

Detailed integration planning and integration project management are utilized to ensure a smooth transition of operational activity, product offerings and services. Legal, financial, commercial, operational, personnel, IT and security matters are also considered prior to integration in order to limit exposure to unexpected losses or damage.

Security, business continuity and resiliency

As a software technology vendor and SaaS provider, we face various cyber and other security threats, including:

- attempts to gain unauthorized access to sensitive information and data;
- threats to the safe and secure operation of our software solutions and services;
- threats to the safety of our Directors, officers and employees;
- threats to the security of our facilities and infrastructure; and
- threats from terrorist acts or other acts of aggression.

Our clients and Partners (including subcontractors) face similar threats.

Although we utilize various procedures and controls to monitor and mitigate the risk of these threats, there cannot be full assurance that these procedures and controls will be sufficient. These threats could lead to losses of sensitive information or capabilities, harm to personnel, infrastructure or products and/or damage to our reputation as well as our Partners' ability to perform on our contracts.



Cyber threats are evolving and include, but are not limited to:

- attempts to gain unauthorized access to data, information or intellectual property;
- disruption to or denial of service; and
- other malicious or criminal activities.

These threats could lead to disruptions in mission-critical systems, unauthorized release of confidential, personal or otherwise protected information (ours or that of our employees, clients or Partners) and corruption of data, networks or systems. In addition, we could be impacted by cyber threats or other disruptions or vulnerabilities found in products we use or in our Partners' or clients' systems that are used in connection with our business. These events, if not prevented or effectively mitigated, could damage our reputation, require remedial actions and lead to loss of business, regulatory actions, potential liability and other financial losses.

We provide software products and services to various clients who also face cyber threats. Our software products and services may themselves be subject to cyber threats and/or they may not be able to detect or deter threats, or effectively to mitigate resulting losses. These losses could adversely affect our clients and our Group. The impact of these factors is difficult to predict, but one or more of them could result in the loss of information or capabilities, harm to individuals or property, damage to our reputation, loss of business, regulatory actions and potential liability, any one of which could have a material adverse effect on our financial position, results of operations and/or cash flows.

From an organizational perspective, the Security and Privacy Committee provides the Group level oversight.

In terms of business processes, security assurance is integrated into all business processes related to R&D, the supply chain, sales and marketing, delivery and technical services. In addition, Temenos reinforces the implementation of the cyber security assurance system by conducting internal audits and receiving external certification and auditing from various independent third party organizations.

In connection with personnel management, our employees, Partners and consultants are required to comply with security policies and requirements established by Temenos and receive appropriate training so that the concept of security is deeply rooted throughout Temenos. To promote cyber security, Temenos will take appropriate action against those who violate cyber assurance policies. Employees may also incur personal legal liability for violation of relevant laws and regulations. If Temenos security measures are breached and unauthorized access is obtained to Temenos' IT systems, Temenos' business could be disrupted and Temenos may suffer financial losses as a result of the loss of confidential client information or otherwise.

Temenos' insurance coverage might not cover claims against it for loss or security breach of data or other indirect or consequential damages. If Temenos experiences interruptions in the availability of its application suite, Temenos' reputation could be harmed, which may have a material adverse effect on Temenos' business and financial condition.

As part of the periodic risk assessment of IT infrastructure, potential physical and security vulnerabilities are factored into the process for developing a resilient and robust IT infrastructure.

The physical security of IT infrastructure and personnel are kept secure through standardized general IT controls across Temenos in line with best practice standards.

Temenos has implemented a Business Continuity Management System (BCMS) to cover Business Continuity and Resilience requirements and this is certified to ISO22301:19. The framework touches on all aspects of Business Continuity and Resilience and is tested and audited regularly.

Information systems are regularly audited internally and externally to provide assurance over the management of these risks.

Insurance

Temenos' Corporate Insurance team manages all global policies. The main global policies provide coverage across core business areas such as Professional Indemnity liability (errors and omissions), Cyber Liability Insurance, Crime Insurance, Global Travel and Directors' and Officers' insurance.

As with any large organization, Temenos strives to secure that its activity, offices and employees are adequately covered, given the liability exposure and the insurance market capacities.

Temenos counts on reliable insurance partners, hence most of Temenos' insurance providers are A or A+ AM Best rated companies.

Across the various legal jurisdictions in which Temenos operates, compliance with the local legal requirements is ensured by holding certain insurance policies such as workers' compensation policies and third party liability, employees' health and accidents benefits protection.

Temenos' local offices manage their legally required policies with oversight and review by Group management. Each office/Temenos entity is insured against property damage, business interruption and public liability risks. Information and IT infrastructure is also covered by regional and/or local policies.

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES continued

Environment and sustainability

As a company, we recognize that climate change is a global challenge with financial implications. We also recognize the importance of understanding and taking action on our material environmental impacts, risks and opportunities. As an IT company, to serve our clients, we rely heavily on people, computing resources and business travel. We are aware of the environmental impacts of our business and support a precautionary approach to environmental challenges on our own initiative and an environmentally responsible way of conducting our business operations and serving our clients.

Climate change

In response to increasing concern about the impact and risk associated with climate change, Temenos has aligned the climate risk assessment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). As part of this, we have conducted a qualitative and quantitative scenario-based climate assessment to identify both climate-related risks and opportunities, in order to inform Temenos' medium- and long-term business strategy. Governmental actions to mitigate climate change could increase operating costs. Increased frequency of extreme weather (storms, floods, heat waves) could cause disruption of our operations. Failure to meet client, Partner, investor, other stakeholder expectations, or globally recognized standards on sustainability and climate change strategy could have an impact on the demand for our products, our ratings in sustainable investment indices and our corporate reputation, resulting in reduced growth and profitability.

Biodiversity

Temenos recognizes the indispensable role biodiversity plays in a sustainable world and has included such risks in its environmental risk assessment registry: operational risks associated with resource dependency; regulatory risks as regulatory changes are anticipated and must be addressed in a timely manner as policymakers ramp up policy action on biodiversity; market risks as consumers' preferences towards products with reduced biodiversity impacts can create a shift on the product demand.

Our strategy

As part of our environmental responsibility and climate change strategy, we have set up an internal Company-wide mechanism, in order to measure, monitor and report on our global impact. Our ISO14001 certified Environmental Management System provides a solid framework to address such risks and drives continual improvement. We also implement mitigation, adaptation, energy reduction and emissions' avoidance initiatives, by putting in place policies, management systems and setting internal targets to improve energy efficiency, reduce emissions and invest in carbon removal and/or offset projects for the carbon we cannot reduce or avoid. We have incorporated environmental requirements into our corporate facilities management practices. Our near-term target has been officially validated by the Science Based Targets initiative and is aligned with the Business Ambition of 1.5°C. We work with like-minded

business partners and suppliers to ensure continued availability of our business operations and products and sustainable options for our clients. We monitor environmental regulations, trends and other related governmental developments in the countries we operate and take proactive actions. Where environmental legislation is not clear or enforced, we ensure that all necessary environmental practices are in place. We communicate our environmental responsibility strategy to all our stakeholders and raise awareness internally and externally. Through our cloud and SaaS product offering, we help our clients integrate environmental sustainability into their business strategies, by enabling them to reduce their environmental impact, as well as helping their customers track their environmental footprint. We are an environmentally responsible neighbor and support environmental projects in the communities where we operate. We engage in initiatives focused on nature-based solutions, such as tree-planting and earth restoring activities, to tackle climate change and improve biodiversity. We participate in global efforts to improve environmental protection and understanding and align with the United Nation's global agenda for sustainable development. We ensure that our clients, suppliers, Partners and contractors are committed to following our environmental policies and setting environmental targets, by conducting sustainability risk assessments as well as audits and reporting annually to the Board of Directors.

Internal controls failures

Although Temenos considers the controls and procedures it currently has in place to minimize the financial reporting, legal, disclosure and other regulatory, compliance, non-financial and operational risks associated with its business to be adequate, Temenos recognizes that the efficacy of some of these controls and procedures depends significantly on employees and contractors and on input from external parties and all of these controls and procedures need to be kept under regular review, particularly given the pace at which Temenos' business has developed and generally increasing regulatory scrutiny.

There is no guarantee that Temenos will not be targeted by those willing to commit fraud against Temenos. Such an action could come from either an internal or external source and could result in a significant adverse impact on Temenos' business, results of operations and financial condition.

Internal controls are regularly reviewed, updated and tested in accordance with our Internal Control System process and additionally by Internal Audit which serves as a third line of defense to provide assurance on the effectiveness of risk management and internal controls systems.

In addition to the assurance provided by Internal Audit, Temenos engages a range of external assurance providers to provide industry standard certifications e.g. ISO accreditations and Systems and Organization Control (SOC) reports.



Emerging risks

Anticipating potential risks is a critical component to effective risk management. Understanding the potential business impact of macro level and environmental conditions and factors is key to minimizing adverse business impact of these risks from materializing in a manner that negatively impacts value to shareholders, clients, business partners and employees.

Temenos has designed, developed and implemented as part of the Group Risk Management function an emerging risk identification and management program. Identification of emerging risks involves taking a broader approach to risk identification where potential risks are identified that have the possibility of impacting Temenos in the 3–5-year range and developing proactive risk management strategies to minimize potential business impact.

We have capabilities to survey the broader risk landscape, review and assess risk trends, macro-environmental considerations and thought leadership to outline emerging risks and develop a pro-active strategy and approach to managing those potential risks. Several sources of information include the annual World Economic Forum Global Risk Report, publications from various industry groups (e.g., CRO Forum – Emerging Risk Initiative) and various pieces of thought leadership. The following were considered important in developing a forward-looking approach to manage risks that could impact Temenos.

Skills/resource scarcity/shrinking labor pool

There has been a contraction in the labor pool post-Covid, increased turnover in certain key sectors including cloud engineers, developers and security professionals and ballooning labor wage inflation. This has resulted in many organizations competing for a scarce pool of resources that are necessary to enable business growth and manage operational requirements. This consideration has been projected to extend into the foreseeable future (minimum 3-5 years) resulting from geopolitical conflicts, macroeconomic contraction and a global shift in the demand of skillsets to support sustainable enterprise growth. Additionally, as the baby boomer generation reaches retirement age, there will be a large number of highly skilled workers exiting the job market further compounding the challenges related to human resource scarcity. As additional businesses invest in digital channels, migrate to the cloud and increase investment in their technology capabilities, this risk is expected to materialize in the next 3-5 years in a manner that could significantly impact the ability to execute against strategic plans for business growth and development.

Potential business impact

Inability to effectively manage recruiting and retention can negatively impact Temenos' ability to execute against strategic objectives to transition to a cloud/SaaS company. Additionally, the inability to upskill existing employees on cloud technology and ensure they possess the necessary skills to enable strategic growth in the cloud/SaaS area could impact Temenos' ability to transition in a sustainable manner and deliver operating margins in line with marketplace expectations. Lastly, the inability

to identify and manage human resource talent channels can result in an inability to recruit the necessary human resources to execute against strategic growth objectives.

Mitigation measures

We will continue to review and enhance as appropriate our people management processes and offerings around mentoring, training and development, recruitment, retention, compensation and employee wellbeing.

Supply chain complexity

As we continue our transition to a cloud/SaaS services and delivery model, there is an increased business need to leverage specialized products and services to meet the demands of a diverse set of customers and their business requirements for resilient scale cloud/SaaS solutions. As such, there is increased risk related to third party service providers that support the delivery of cloud/SaaS products and services to Temenos customers in addition to cloud platform service providers AWS and Azure. Leveraging an ecosystem of specialized third party service providers to deliver Temenos cloud/SaaS products and services increases the complexity of managing and overseeing these third party relationships from an operations, legal, regulatory, compliance and risk management perspective. Additionally, there is increased focus and pressure from clients and the marketplace around ESG program requirements with a focus around moving to net-zero carbon emissions and a heavy focus on scope 3 emissions. As the ecosystem and complexity of third and fourth parties within the Temenos cloud supply chain increases, these risks become more challenging to effectively manage. While not identified as an immediate risk impacting the business, this risk is expected to further materialize within the next 3-5 years and potentially impact Temenos' position within the marketplace and possibly impact strategic growth plans.

Potential business impact

The inability to ensure and manage trust and transparency in the supply chain utilized to deliver cloud/SaaS products and services to customers could result in legal liability, increased regulatory scrutiny, challenges delivering products and services in line with contractual requirements and security incidents and data leakage/theft which could have a negative impact on Temenos' ability to gain efficiencies and effectively augment current enterprise capabilities in a manner that delivers value to customers.

Mitigation measures

We are proactively increasing the degree of rigor and enhancing standardized programs and processes to manage critical cloud services providers that compose the Temenos cloud ecosystem in order to ensure these relationships can effectively be managed to deliver anticipated business benefits to customers and shareholders. Examples of actions in progress include standardizing legal, regulatory, compliance business continuity, ESG contractual schedules as well as other actions to enable effective management of critical cloud supplier relationships.

Corporate Governance

BOARD OF DIRECTORS

Key

A Audit Committee **N** Nomination & ESG Committee **C** Compensation Committee Chair of the Committee



Andreas Andreades
Executive Chairman and
acting Chief Executive Officer

Nationality and age

Cypriot, born in 1965

Experience

After early careers with KPMG in London and Pepsico, 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 2003 until 2011, when he was appointed Chairman of the Board of Directors. In 2012, he was appointed Executive Chairman of the Temenos Board of Directors, adding the acting Chief Executive Officer role as from January 2023. Since he joined Temenos, the Company has grown from less than 150 employees to circa 7,000 and 3,000 clients generating approx. USD 1 billion in annual revenues and achieving a market capitalization of circa USD 4.7 billion (end 2022), establishing it as the global leader in banking software. Since 2003, the market capitalization of Temenos has grown by 90 times or a compound average of 25% per annum.

Andreas holds a Master's engineering degree from the University of Cambridge and is a United Kingdom qualified chartered accountant.

Acknowledging the importance of ESG matters, Andreas is also acting as the Board executive sponsor for ESG matters and is a member of the Nomination & ESG Committee.



Thibault de Tersant
Vice-Chairman, Independent and
Non-Executive Director

Nationality and age

French, born in 1957

Experience

Thibault de Tersant was a member of the Board of Dassault Systèmes from 1993 until 2020 and he was Chief Financial Officer from 1988 until 2018. He was named Senior Executive Vice President and General Secretary in 2018.

During his tenure in Dassault Systèmes, Thibault, who, as Chief Financial Officer, 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 totaling 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. Thibault, in his capacity of General Secretary is responsible for corporate structure and governance, compliance and oversees various Dassault Systèmes businesses. 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.

Thibault is also member of the Board and Executive Committee of Numeum, the French syndicate of companies working in the digital domain.

Thibault is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.



Ian Cookson
Independent and
Non-Executive Director

Nationality and age

Swiss, born in 1947

Experience

Ian Cookson has been active in the financial services sector for over 45 years and has built one of the most efficient IT operations in Private Banking worldwide.

Ian 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, Ian 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).

Acknowledging the importance of the ESG matters, Ian is chairing the Nomination & ESG Committee which is now also considering the strategy and targets for the ESG matters and overseeing the ESG reporting.



Erik Hansen
Independent and
Non-Executive Director

Nationality and age

Danish, born in 1952

Experience

Erik Hansen is a recognized software industry veteran with over 30 years of experience as a senior executive at leading software companies.

Erik has previously been Chairman of Myriad Group AG (2012-2018) and has served as Chief Executive Officer and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Erik 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.

Erik holds a degree from the business college in Horsens, Denmark.



Peter Spenser
Independent and
Non-Executive Director

Nationality and age

British and American, born in 1954

Experience

Dr. Peter Spenser has over 40 years of experience in the financial services sector and technology.

Until 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).

Peter holds a BA and MA in Theoretical Physics from Cambridge University and a Ph.D. in Astrophysics from University College London.

Corporate Governance

BOARD OF DIRECTORS continued

Key

A Audit Committee **N** Nomination & ESG Committee **C** Compensation Committee Chair of the Committee



Homaira Akbari
Independent and
Non-Executive Director

Nationality and age

American and French, born in 1961

Experience

Dr. Homaira Akbari is President and Chief Executive Officer 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) and Landstar System, Inc. (NASDAQ: LSTR), where she has been a member of Compensation Committee since 2013.

Homaira has held senior management roles in Fortune 1000 companies including Microsoft, Thales and Liberty Media subsidiary, Trueposition. Homaira served as the President and Chief Executive Officer 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 Santander Consumer USA (NYSE: SC) from 2020 to 2022, Veolia Environment (EN: VIE Euros 26+ 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.

Homaira 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.

Homaira 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.



Maurizio Carli
Independent and
Non-Executive Director

Nationality and age

Italian, born in 1958

Experience

Maurizio Carli served as strategy advisor to VMware until 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, Maurizio 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, Maurizio served in a number of leadership positions in sales, marketing and global strategy at IBM between 1984 and 2002.

Maurizio currently serves as a board director for Board International and as an independent board member of Telecom Italia. He previously served as an independent board member for Blue Prism in 2021, Telecty Group from 2011 to 2016 and as a board member for the newly-launched European Software Association from 2005 to 2006.

Maurizio holds a Bachelor of Science in Electronic Engineering from Politecnico di Milano, Italy, where he graduated with honors.



James Benson
Independent and
Non-Executive Director

Nationality and age

American, born in 1966

Experience

James (Jim) Benson is a global finance executive with significant experience in enabling public technology companies to grow and scale their businesses worldwide.

He brings extensive financial expertise, capital markets, corporate governance and risk management experience as a prior Chief Financial Officer of a public company. He also has substantial experience managing strategic and operational challenges as a leader of a global company.

Jim currently serves as Chief Financial Officer of software intelligence company Dynatrace (NYSE: DT). Prior to Dynatrace, Jim served as Executive Vice President and Chief Financial Officer of cloud services and cybersecurity leader, Akamai Technologies (NASDAQ: AKAM) from 2012 to 2020. While at Akamai, Jim 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 into one of the world's largest and most profitable cloud services and cybersecurity 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. Jim also serves on the Board of Directors of Xplor Technologies, a global provider of software, payments and commerce-enabling technologies (Atlanta, Georgia) and on Grange Insurance, a Property and Liability insurance company (Columbus, Ohio).

Jim holds an MBA from Clark University and a BS Finance from Bentley College.



Deborah Forster
Independent and
Non-Executive Director

Nationality and age

British, born in 1966

Experience

Deborah (Debbie) Forster is Chief Executive Officer of the Tech Talent Charter, an industry collective which aims to deliver greater inclusion and diversity in the UK technology workforce.

Debbie brings a unique skill set across the areas of technology, innovation, diversity and education and was awarded an MBE in the Queen's New Year's Honour List in 2017 for "Services to Digital Technology and Tech Development" as well as being named the "Most Influential Women in UK IT" by Computer Weekly in 2019. She currently serves on the UK government's Digital Economy Board, its Money and Pensions Advisory Board and its National Cyber Advisory Board and is a Non-Executive Director for the Lending Standards Board.

Previously, Debbie was Chief Executive Officer of education charity Apps for Good, taking the organization through a period of exponential growth, and worked for e-skills, the UK's national IT sector skills council. Prior to this, she had a two-decade career in education.

Debbie holds an M.A. from the University of Leeds.



Cecilia Hultén
Independent and
Non-Executive Director

Nationality and age

Swedish, born in 1968

Experience

Cecilia Hultén is an accomplished business professional with over two decades of experience in the financial industry for institutions such as UBS and Nordea and brings strong financial skills with an in-depth understanding of risk management and capital markets.

She has transitioned from a global banking executive to a recognized entrepreneur, investor and board member, focusing on transformative businesses that solve real-world problems in the fintech and health-tech sectors. Through strategic investments and partnerships, Cecilia has established a reputation as a thought leader. She is working with companies including kompasbank, a European challenger bank for SMEs, Konsolidator, a SaaS company providing a cloud-based consolidation tool, and Hejdoktor, a digital healthcare provider. She has co-founded two companies, a biotech company and a data management company commercializing a project out of MIT's Fintech program, where she has taken the role of the Chief Financial Officer.

Cecilia holds a BSc from the Gothenburg School of Economics and studied at the Stern School of Business MBA program at NYU. Additionally, Cecilia spent five years as an Executive Coach at Stanford Graduate School of Business in Corporate Innovation.

Corporate Governance

EXECUTIVE COMMITTEE



Panagiotis “Takis” Spiliopoulos
Chief Financial Officer

Nationality and age
Greek, born in 1970

Experience

Panagiotis “Takis” Spiliopoulos is Chief Financial Officer since 2019. Before this appointment, he was Head of Research and member of the Investment Banking management team at leading Swiss bank Vontobel, where he successfully built the #1 franchise in Swiss equities over the last ten years, as recognized by Thomson Extel. He has been advising institutional clients as key opinion leader on technology investments. Before that, he led the technology research practice at the same bank and had the lead on numerous capital market transactions. Before joining Vontobel in 2001, Panagiotis was Head of Investments and Member of the Executive Management Board at a venture capital technology where he was responsible for due diligence, company valuation, investment proposal, deal negotiations and setup of deal structure.

Before switching to the investment side in 1999, Panagiotis worked as management and technology consultant for leading international players, among others Accenture (formerly Andersen Consulting, where he started his career in 1995), advising financial institutions on strategy and information technology matters, including the implementation of new processes and applications.

Panagiotis holds a Master’s Degree in Computer Science and Business Economics from the Swiss Federal Institute of Technology (ETH Zürich), Switzerland. He also holds an Executive MBA and a degree in financial analysis (CEFA/EFFAS).



Prema Varadhan
President Product and Chief Operating Officer

Nationality and age
Indian, born in 1975

Experience

As President Product and Chief Operating Officer, Prema Varadhan is responsible for leading the Product and Technology organizations to bring the innovation of the Temenos platform to our global customer base, working directly with customers to identify their challenges and matching our product roadmap to market demands. Prema also leads Temenos’ Global Services and SaaS Engineering organizations, driving operational excellence and accelerating speed of delivery globally. With this combined responsibility, Prema unifies delivery across Product, SaaS engineering and implementation, which is a pre-requisite for customer success in the SaaS world. Prema also works closely with our client’s C-suite, bringing her leadership and technology expertise to support complex sales campaigns from product perspective.

Prema joined Temenos in 1999 and previously held the roles of Chief Product and Technology Officer and Head of Artificial Intelligence. In these roles, Prema was responsible for analyzing emerging technologies and architectural trends and practices from across the banking industry and incorporating the findings into Temenos’ product strategy and development. Prema has been with Temenos for more than 20 years and is a highly experienced leader in financial services and technology. She is passionate about putting customers first and focuses on technology initiatives to improve the client experience with faster, effortless software delivery.

Prema holds a Bachelor of Engineering, Electronics and Communications from Anna University, Chennai.



Colin Jarrett
Chief Operating Officer, Americas

Nationality and age
British, born in 1969

Experience

Dr. Colin Jarrett is our Chief Operating Officer for the Americas, where he leads the Temenos Services, Customer Success and Support organizations in North America. Colin is responsible for customer satisfaction, improving operating efficiencies, accelerating speed of delivery and driving scale through Temenos’ Partner-first strategy.

Prior to this role, Colin was the Chief Client Delivery Officer leading our Global Services business. Before that, he was the Chief Cloud Officer, responsible for driving the rapid expansion in global SaaS business. Earlier roles included Managing Director of Global Client Services and Support and earlier Global Head of Product Development. Colin joined Temenos in 2016 from Accenture, where he was Managing Director. He spent 20 years working in large-scale technology delivery projects across the financial services industry with Accenture and has extensive experience of global delivery. Colin spent five years working in India, building Accenture’s Financial Services Delivery Excellence practice. He also spent five years in the Philippines leading the company’s Banking and Payments Technology Delivery group.

Colin holds a Ph.D. from Cambridge University where he studied Condensed Matter Physics and was elected as a bye-fellow of Magdalene College. He is also a named inventor holding patents both with Accenture and Philips.



Jayde Tipper
Chief People Officer

Nationality and age

British, born in 1983

Experience

Jayde Tipper is the Chief People Officer, responsible for leading the all-important people-related functions, including Talent Acquisition, Talent Development, Total Rewards, Diversity, Equity and Inclusion.

Jayde joined Temenos in 2015, initially in HR business partnering, then led Talent Acquisition and executive hiring globally before moving to own our end-to-end people strategy. Jayde is passionate about helping to make Temenos a place where all our Temenosians can feel proud, happy and fulfilled with the work they do.

Jayde holds an MSc in International Human Resource Management and an MBA from London Business School.



Corporate Governance

CORPORATE GOVERNANCE REPORT

Governing the Group

Our governance framework

General Meeting of Shareholders

Main responsibilities:

- approves the annual financial statements;
- elects the members of the Board of Directors and of the Compensation Committee;
- approves the prospective compensation of the members of the Board of Directors and of the Executive Committee; and
- adopts and amends the Articles of Association.

Board of Directors

Main responsibilities:

- chaired by the Executive Chairman whose role is defined on page 155;
- approves the strategy of the Group;
- appoints and oversees the members of the Executive Committee; and
- approves acquisitions and major investments.

Chief Executive Officer

Main responsibilities:

- is responsible for managing the day-to-day business of the Group; and
- chairs the Executive Committee.

Executive Committee

Main responsibilities:

- develops the three-year strategic plan of the Group and monitors performance against it;
- submits to the Board of Directors proposed acquisitions, divestments and product capex investments; and
- deals with any other matters as assigned by the Board of Directors.

Compensation Committee

Main responsibilities:

- recommends to the Board of Directors compensation practices and policies that are equitable, performance-based and in line with market norms;
- reviews the competitiveness of the executive compensation programs;
- submits to the Board of Directors proposals for approval by the Annual General Meeting of Shareholders of the total prospective compensation of the Board of Directors and of the Executive Committee members; and
- prepares the Compensation Report to be submitted to the Board of Directors for approval.

Audit Committee

Main responsibilities:

- reviews and challenges where necessary, the actions and judgments of management, in relation to the financial statements;
- reviews the internal controls environment and risk management framework;
- monitors the performance and effectiveness of the Internal Audit function; and
- reviews the findings of the external audit reports and monitors their implementation.

Nomination & ESG Climate Committee

Main responsibilities:

- reviews the structure, size and composition of the Board of Directors;
- establishes the qualification criteria for Board of Directors membership;
- reviews and proposes to the Board of Directors candidates to be recommended for election;
- considers succession planning for both Board of Directors and Executive Committee members; and
- considers the strategy and targets for the sustainability, climate and CSR strategy ("ESG matters") set by the Chief Executive Officer, monitors progress and achievements, oversees ESG and climate reporting, stays abreast of trends in ESG matters and reports accordingly to the Board of Directors.



Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (DCG) available at <https://www.ser-ag.com/dam/downloads/regulation/listing/directives/dcg-en.pdf>, its Guidelines available at <https://www.ser-ag.com/dam/downloads/publication/obligations/guidelines/guideline-dcg-en.pdf> and with the Swiss Code of Obligations (CO) available at https://www.fedlex.admin.ch/eli/cc/27/317_321_377/fr.

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

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

There are some references to the Articles of Association and to the Organization bylaws of the Company; both documents are available at <https://www.temenos.com/about-us/investor-relations/corporate-governance/>.

Unless otherwise indicated, the information provided in this report reflects the situation as of 31 December 2022.

Temenos AG is hereinafter referred to as “the Company”.

Temenos AG and its affiliated companies are hereinafter referred to as “Temenos Group”, “Temenos” or “the Group”.

The executive management of the Group is hereinafter referred to as “the Executive Committee”.

Governance dashboard



2022 Executive Chairman remuneration mix at grant

Fixed fee/salary	10%
Other compensation	2%
Variable short-term incentives	10%
LTIP	77%
At risk compensation	87%



2022 Executive Committee remuneration mix at grant

Fixed salary	12%
Other compensation	5%
Variable short-term incentives	11%
LTIP	72%
At risk compensation	83%

Meetings held in 2022



Board of Directors	9
Audit Committee	6
Compensation Committee	9
Nomination & ESG Committee	3

1. Group structure and shareholders

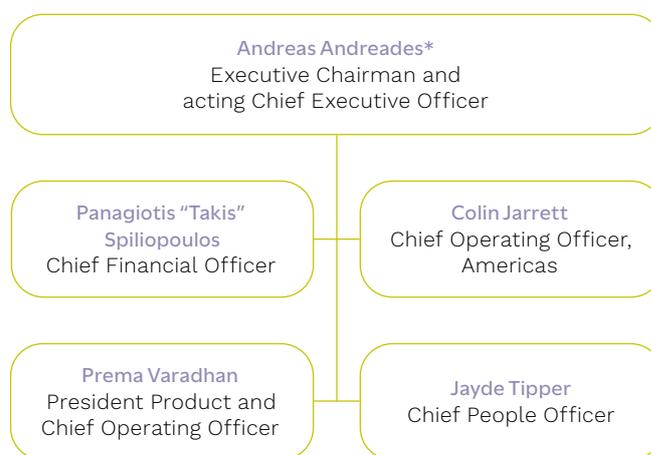
1.1 Group structure

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

1.1.1 Description of the issuer’s operational group structure

The Temenos Group is organized and managed by the Chief Executive Officer who is heading and supported by the Executive Committee.

As of the publication date of this Annual Report, the Executive Committee is composed of the following members:



* Mr. Andreades only intends to serve as acting Chief Executive Officer until a new Chief Executive Officer is appointed and will not stand for re-election as Executive Chairman at the 2023 Annual General Meeting.

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

The Group’s product sales and services operations are divided into the following main geographic regions:

- Europe;
- Middle East and Africa;
- Asia Pacific;
- North America; and
- Latin America and Caribbean.

Temenos being a truly global multi-product company leverages skills from around the world, having its principal software development facilities in Chennai, Bangalore and Hyderabad (India). The Group has additional software development facilities in the United States, Canada, the United Kingdom, Switzerland, France, Romania, Belgium, Luxembourg, Australia, Ecuador, China, Greece, Poland, Spain, Germany and Singapore.



Corporate Governance

CORPORATE GOVERNANCE REPORT continued

1. Group structure and shareholders continued

1.1 Group structure continued

1.1.2 All listed companies belonging to the issuer's group, including the company names, their registered offices, where they are listed, their market capitalization, the percentage of shares held by subsidiaries and the security or ISIN numbers of the securities

Temenos AG is the sole listed company of the Group.

Name	Temenos AG		
Domicile	2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland		
Listed at	SIX Swiss Exchange		
First listing date	26 June 2001		
Market capitalization	CHF 3,802,240,462*		
Security Number	1245391		
ISIN number	CH0012453913		
Symbol	TEMN		
Reuters	TEMN.S		
Bloomberg	TEMN SW		

* Based on the issued share capital as of 31.12.2022 composed of 74,935,760 shares.

Please refer to the Information for Investors' section on page 262 for statistics on Temenos shares.

1.1.3 The non-listed companies belonging to the issuer's group, including the company names, their registered offices, their share capital and the percentage of shares held by subsidiaries

Please find below the main non-listed companies belonging to the Group as of 31 December 2022:

(All companies are directly or indirectly wholly owned subsidiaries of Temenos AG, unless otherwise indicated. A complete list of all companies belonging to the Group is available in note 5 to the consolidated financial statements.)

Name	Domicile	Country of incorporation	Share capital
Avoka (Germany) GmbH	Frankfurt am Main	Germany	25,000 EUR
Avoka (USA), Inc.	Sacramento	USA	0.1 USD
Avoka Europe Limited	London	United Kingdom	1,900,199 GBP
Avoka Technologies Pty Limited	Sydney	Australia	43,737,975.23 AUD
Edge IPK Limited	London	United Kingdom	2,764 GBP
Financial Objects (UK) Limited	London	United Kingdom	466,667 GBP
Igefi France Sàrl	Paris	France	7,500 EUR
Igefi Group Sàrl	Bertrange	Luxembourg	31,000 EUR
Igefi Ireland Limited	Dublin	Ireland	100 EUR
Kony, Inc.	Wilmington	USA	1 USD
Kony India Private Limited	Hyderabad	India	33,368,980 INR
Kony Services India LLP	Hyderabad	India	6,000,000 INR
Kony Solutions BV	Amsterdam	Netherlands	18,000 EUR
Kony Solutions Limited	Port-Louis	Mauritius	676,466 USD
Logical Glue Limited	London	United Kingdom	623.63 GBP
Odyssey Financial Technologies Limited	London	United Kingdom	50,000 GBP
Odyssey Financial Technologies SA	La Hulpe	Belgium	62,000 EUR
Odyssey Group SA	Bertrange	Luxembourg	500,000 EUR
Rubik ESOP Trusco Pty Limited	Sydney	Australia	100 AUD
Rubik IP Holdings Pty Limited	Sydney	Australia	100 AUD
Rubik Mortgages Pty Limited	Sydney	Australia	100 AUD
Sky Technologies Pty Limited	Sydney	Australia	12 AUD
Sky Technologies Consulting Pty Limited	Sydney	Australia	10 AUD
Sky Technologies Holdings Pty Limited	Sydney	Australia	1,344,293.80 AUD
Temenos Australia Symmetry Pty Limited	Sydney	Australia	261 AUD
Temenos (Malaysia) Sdn Bhd	Shah Alam	Malaysia	19,591,400 MYR
Temenos (NL) BV	Amsterdam	Netherlands	18,152 EUR
Temenos (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB



Name	Domicile	Country of incorporation	Share capital
Temenos Africa (Pty) Limited	Sandton	South Africa	100 ZAR
Temenos Australia Pty Limited	Sydney	Australia	2 AUD
Temenos Australia Financial Pty Limited	Sydney	Australia	85,977,680 AUD
Temenos Australia Operations Pty Limited	Sydney	Australia	7,500,181 AUD
Temenos Australia Services Pty Limited	Sydney	Australia	100 AUD
Temenos Australia Symmetry Pty Limited	Sydney	Australia	261 AUD
Temenos Australia Technology Solutions Pty Limited	Sydney	Australia	1 AUD
Temenos Belgium SA	La Hulpe	Belgium	200,000 EUR
Temenos Bulgaria EOOD	Sofia	Bulgaria	10,000 BGN
Temenos Canada Inc.	Vancouver	Canada	560,586 shares (no par value)
Temenos Cloud Americas LLC	Wilmington	USA	100 units (no par value)
Temenos Cloud Switzerland SA	Geneva	Switzerland	100,000 CHF
Temenos Colombo (Pvt) Limited	Colombo	Sri Lanka	1 LKR
Temenos Costa Rica SA	San Jose	Costa Rica	500,000 CRC
Temenos Denmark ApS	Copenhagen	Denmark	50,000 DKK
Temenos Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
Temenos East Africa Limited	Nairobi	Kenya	10,000 KES
Temenos Ecuador SA	Quito	Ecuador	672,000 USD
Temenos Egypt LLC	Cairo	Egypt	200 EGP
Temenos Finance Hong Kong Limited	Hong Kong	Hong Kong	4,767,600,001 HKD
Temenos Finance Luxembourg Sàrl	Bertrange	Luxembourg	37,500 EUR
Temenos France SAS	Paris	France	500,000 EUR
Temenos Headquarters SA	Geneva	Switzerland	100,000 CHF
Temenos Hellas SA	Athens	Greece	105,000 EUR
Temenos Hispania SL	Madrid	Spain	10,000 EUR
Temenos Holdings France SAS	Paris	France	500,000 EUR
Temenos Holdings USA, Inc.	Wilmington	USA	1 USD
Temenos Holland BV	Amsterdam	Netherlands	19,000 EUR
Temenos Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
Temenos India Private Limited	Chennai	India	2,962,000 INR
Temenos Investments BV	Amsterdam	Netherlands	18,000 EUR
Temenos Israel Limited	Ramat Gan	Israel	100 ILS
Temenos Japan KK	Tokyo	Japan	10,000,000 JPY
Temenos Korea Limited	Seoul	Republic of Korea	50,000,000 KRW
Temenos Luxembourg SA	Bertrange	Luxembourg	1,181,250 EUR
Temenos Mexico SA de CV	Mexico City	Mexico	234,820,098 MXN
Temenos Middle East Limited	Nicosia	Cyprus	17,101.71 EUR
Temenos New Zealand Limited	Auckland	New Zealand	1,000 shares (no par value)
Temenos North Africa LLC	Casablanca	Morocco	10,000 MAD
Temenos Philippines, Inc.	Makati City	Philippines	10,000,000 PHP
Temenos Polska Sp. z o. o.	Warsaw	Poland	100,000 PLN
Temenos Romania SRL	Bucharest	Romania	120,000 RON
Temenos Singapore Pte Limited	Singapore	Singapore	65,010,000 SGD
Temenos Singapore FT Pte Limited	Singapore	Singapore	1 SGD
Temenos Software Brasil Limitada	São Paulo	Brazil	150,000 BRL
Temenos Software Luxembourg SA	Bertrange	Luxembourg	500,000 EUR
Temenos Software (Shanghai) Co. Limited	Shanghai	China	140,000 USD
Temenos Solutions Australia Pty Limited	Sydney	Australia	245,057,936 AUD
Temenos Systems Ireland Limited	Dublin	Ireland	4 EUR
Temenos UK Limited	London	United Kingdom	2,198,844 GBP
Temenos USA, Inc.	Wilmington	USA	1 USD
Temenos Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
Viveo France SAS	Paris	France	500,000 EUR
Viveo Group SAS	Paris	France	500,000 EUR

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

1. Group structure and shareholders continued

1.2 Significant shareholders

Please find below the list of shareholders who hold 3% or more of the voting rights as of 31 December 2022 as per information that has been published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange pursuant to Art. 120 ff. of the Financial Market Infrastructure Act.

Significant shareholders	Number of voting rights	Percentage of share capital
Martin and Rosemarie Ebner	7,695,000	10.30%
BlackRock Inc. ¹	3,718,442	4.98%
Baillie Gifford & Co ²	3,485,355	4.66%
FIL Limited ³	2,385,289	3.19%
UBS Fund Management (Switzerland) AG	2,292,935	3.07%
Invesco Limited ⁴	2,272,215	3.04%

- 1 Out of this number, 527,166 voting rights are delegated by a third party and can be exercised at one's own discretion.
- 2 Out of this number, 3,485,355 voting rights are delegated by a third party and can be exercised at one's own discretion.
- 3 Out of this number, 2,299,099 voting rights are delegated by a third party and can be exercised at one's own discretion.
- 4 Out of this number, 2,272,215 voting rights are delegated by a third party and can be exercised at one's own discretion.

Based on the registered capital as of 31.12.2022 composed of 74,742,268 shares.

For more recent information on major shareholders, please refer to page 262.

Disclosure notifications made in accordance with Article 120 ff. of the Financial Market Infrastructure Act are publicly available on the SIX website at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=TEMENOS#/>.

1.3 Cross-shareholdings

Not applicable.

2. Capital structure

2.1 Capital

On 31 December 2022, the registered ordinary share capital amounted to CHF 373,711,340 consisting of 74,742,268 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share with voting rights entitles its holder to one vote.

The Company has an authorized capital totaling CHF 35,500,000 and a conditional capital totaling CHF 15,538,280 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totaling CHF 33,039,520 exists for shares that may be issued in conjunction with financial instruments.

2.2 Capital band and Conditional capital in particular

Authorized capital

Pursuant to the Articles of Association (Article 3ter), the Board of Directors is authorized to increase the share capital by 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.

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

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

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)) as at 31 December 2022, the share capital may be increased by an amount not exceeding CHF 15,538,280 by issuing up to 3,107,656 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 issue of shares or respective option rights through the Subsidiaries or through the Company to officers, Directors and employees of the Company and the Subsidiaries, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiaries or to the Company for purposes of distribution to Directors, officers or employees of the Company and the Subsidiaries; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against paying-in the nominal value of CHF 5 per each share in cash.



Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, for the amount of CHF 8,386,120, that corresponds to 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its Group companies; and second, for the amount of CHF 24,653,400, that corresponds to 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its Group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

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

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

2.3 Changes in capital

	31.12.22 CHF 000	31.12.21 CHF 000	31.12.20 CHF 000
Issued ordinary share capital	374,679	373,711	371,031
Remaining conditional share capital	47,610	48,578	51,258
Authorized share capital	35,500	35,500	35,500

As at **31 December 2013**, the registered share capital amounted to CHF 360,115,740 consisting of 72,023,148 registered shares, each with a par value of CHF 5. Further to the decision of the General Meeting of Shareholders held on 28 May 2014, the capital was reduced by cancellation of 2,134,786 shares repurchased under a share buyback program.

As at **31 December 2014**, the registered share capital amounted to CHF 349,441,810 consisting of 69,888,362 registered shares, each with a par value of CHF 5. Further to the decision of the General Meeting of Shareholders held on 6 May 2015, the capital was reduced by cancellation of 3,270,794 shares repurchased under a share buyback program.

As at **31 December 2015**, the registered share capital amounted to CHF 333,087,840 consisting of 66,617,568 registered shares, each with a par value of CHF 5.

As at **31 December 2016**, the registered share capital amounted to CHF 333,087,840 consisting of 66,617,568 registered shares, each with a par value of CHF 5. No change of capital occurred during 2016.

As at **31 December 2017**, the registered share capital amounted to CHF 354,249,620 consisting of 70,849,924 registered shares, each with a par value of CHF 5 further to the registration on 15 February 2017 of 3,003,556 shares that were created out of conditional capital during 2016 and the registration on 19 October 2017 of 1,228,800 shares that were created out of conditional capital during 2017 (for Employee Share Option Schemes).

As at **31 December 2018**, the registered share capital amounted to CHF 355,221,335 consisting of 71,044,267 registered shares, each with a par value of CHF 5 further to the registration on 17 October 2018 of 194,343 shares that were created out of conditional capital during 2018 (for Employee Share Option Schemes).

As at **31 December 2019**, the registered share capital amounted to CHF 355,221,335 consisting of 71,044,267 registered shares, each with a par value of CHF 5. No change of capital occurred during 2019.

As at **31 December 2020**, the registered share capital amounted to CHF 363,787,330 consisting of 72,757,466 registered shares, each with a par value of CHF 5 further to the registration on 14 February 2020 of 1,713,199 shares that were created out of conditional capital during 2019 (for Employee Share Option Schemes).

As at **31 December 2021**, the registered share capital amounted to CHF 371,031,330 consisting of 74,206,266 registered shares, each with a par value of CHF 5 further to the registration on 23 February 2021 of 1,448,800 shares that were created out of conditional capital during 2020 (for Employee Share Option Schemes).

As at **31 December 2022**, the registered share capital amounted to CHF 373,711,340 consisting of 74,742,268 registered shares, each with a par value of CHF 5 further to the registration on 15 February 2022 of 536,002 shares that were created out of conditional capital during 2021 (for Employee Share Option Schemes).

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

2. Capital structure continued

2.3 Changes in capital continued

Further to the registration on **14 February 2023** of 205,134 shares that were created out of conditional capital from 1 January 2022 to 31 January 2023 (for Employee Share Option Schemes), the registered share capital currently amounts to CHF 374,737,010 consisting of 74,947,402 registered shares, each with a par value of CHF 5.

2.4 Shares and participation certificates

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

In compliance with Temenos policy to distribute a growing dividend and taking into account the growing maturity of the Group and the strength of future cash flows, the Company intends to pay an annual dividend of CHF 1.10 per share on 9 May 2023, subject to shareholders' approval at the Annual General Meeting of Shareholders on 3 May 2023. The dividend record date will be set on 8 May 2023 with the shares trading ex-dividend on 5 May 2023.

2.5 Dividend-right certificates

Not applicable.

2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category, along with an indication of group clauses in the articles of association, if any, and rules for granting exceptions

Not applicable.

2.6.2 Reasons for granting exceptions in the year under review

Not applicable.

2.6.3 Admissibility of nominee registrations, along with an indication of percent clauses, if any, and registration conditions

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

2.6.4 Procedure and conditions for canceling privileges and limitations on transferability laid down in the Articles of Association

Not applicable.

2.7 Convertible bonds and options

Regarding options please refer to note 27 of the consolidated financial statements.

There is no outstanding convertible bonds.

In **April 2013**, the Company issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond was repaid on 25 July 2017 at a redemption price of 100% of the principal amount.

In **March 2014**, the Company issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond was repaid on 31 January 2019 at a redemption price of 100% of the principal amount.

In **June 2015**, the Company issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond was repaid on 17 June 2022 at a redemption price of 100% of the principal amount.

In **April 2017**, the Company issued a senior unsecured bond with a nominal value of CHF 150 million and a coupon rate of 1.75% paid annually on 5 April. The bond will mature on 5 April 2024 at a redemption price of 100% of the principal amount.

In **November 2018**, the Company issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 1.875% paid annually on 30 November. The bond will mature on 30 November 2023 at a redemption price of 100% of the principal amount.

In **November 2019**, the Company issued a senior unsecured bond with a nominal value of CHF 220 million and a coupon rate of 1.50% paid annually on 28 November. The bond will mature on 28 November 2025 at a redemption price of 100% of the principal amount.

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 December 2022, the Board of Directors comprised the following members:

Name	Position
Andreas Andreades	Executive Chairman
Thibault de Tersant	Vice-Chairman, Independent and Non-Executive Director
Ian Cookson	Independent and Non-Executive Director
Erik Hansen	Independent and Non-Executive Director
Peter Spenser	Independent and Non-Executive Director
Homaira Akbari	Independent and Non-Executive Director
Maurizio Carli	Independent and Non-Executive Director
James Benson	Independent and Non-Executive Director
Debbie Forster	Independent and Non-Executive Director
Cecilia Hultén	Independent and Non-Executive Director

Ms. Debbie Forster and Ms. Cecilia Hultén were elected as new members of the Board of Directors at the Annual General Meeting held on 25 May 2022.

Mr. Andreas Andreades will not stand for re-election as Executive Chairman at the 2023 Annual General Meeting.

Mr. Thibault de Tersant will be proposed for election as Non-Executive Chairman at the 2023 Annual General Meeting.

Please refer to [pages 142 to 145](#) for the biographies of the current members of the Board of Directors.

None of the Non-Executive members of the Board of Directors has or has had any senior management position within the Group, nor any significant business connections with the Group.



3.2 Other activities and vested interests

Except those mentioned in the biographies section of this Annual Report, no member of the Board of Directors has any:

- activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;
- permanent management and consultancy functions for important Swiss and foreign interest groups; or
- official functions and political posts.

3.3 Number of permitted activities

According to Article 29 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a. mandates in companies which are controlled by the Company or which control the Company;
- b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
- c. "mandates" in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

'mandates' shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All members of the Board of Directors comply with these provisions.

3.4 Elections and terms of office

Name	First elected
Andreas Andreades	2001
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Peter Spenser	2017
Homaira Akbari	2020
Maurizio Carli	2020
James Benson	2021
Debbie Forster	2022
Cecilia Hultén	2022

Additionally for issuers subject to the provisions of the company law pursuant to Art. 620-762 CO:

Any rules in the Articles of Association that differ from the statutory legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy Not applicable.

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors shall elect a Vice-Chairman from amongst its members and a secretary. It may also appoint one or more committees from amongst its members.

Executive Chairman

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

The Executive Chairman regularly attends product-related meetings and some of the Executive Committee meetings. He therefore works full time in an executive capacity and is jointly responsible for the delivery of the strategic plan and financial results.

Acknowledging the importance of ESG matters, the Executive Chairman is also acting as the Board executive sponsor for ESG matters and is a member of the Nomination & ESG Committee.

Vice-Chairman

In case the Executive Chairman is unavailable or absent, the Vice-Chairman calls meetings of the Board of Directors; also, in case the Executive Chairman is unavailable or absent, the Vice-Chairman chairs meetings of the Board of Directors. The Vice-Chairman has the authority to call meetings reserved exclusively for independent Directors to allow them to discuss certain issues outside full Board of Directors meetings. The agenda of such meetings are set by the Vice-Chairman.

The Vice-Chairman makes himself available to hear the shareholders' comments and suggestions and, where possible, answers their questions after consulting with the Executive Chairman.

In 2022, the Vice-Chairman acted as Lead Independent Director.

3.5.2 Members list, tasks and area of responsibility for each Committee of the Board of Directors

The Audit, Compensation and Nomination & ESG Committees are governed by terms of reference defining their duties and compositions which are available at <https://www.temenos.com/about-us/investor-relations/corporate-governance/>. These Committees are composed mainly of Independent and Non-Executive Directors. These Committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

3. Board of Directors continued

3.5 Internal organizational structure continued

3.5.2 Members list, tasks and area of responsibility for each Committee of the Board of Directors continued

Name	Audit Committee	Compensation Committee	Nomination & ESG Committee
Andreas Andreades			Member
Ian Cookson	Member		Chair
Thibault de Tersant	Chair		
Erik Hansen			Member
Peter Spenser	Member	Member	
Homaira Akbari		Chair	
Maurizio Carli		Member	Member
James Benson	Member	Member	
Debbie Forster		Member	Member
Cecilia Hultén			Member

Audit Committee

The Audit Committee is currently composed of four members, each of whom being independent and holding relevant financial expertise and understanding of the IFRS accounting standards. The Audit Committee reviews the Group’s financial reports, internal controls, compliance with corporate governance rules and any other matters that may be brought to its attention by the internal and/or the external auditors. The Chairman of the Audit Committee regularly reports to the Board of Directors on the Audit Committee’s findings and recommendations; the Board of Directors being ultimately responsible to approve the annual financial statements. Please also refer to paragraph 8.4 below.

Compensation Committee

The Compensation Committee shall support the Board of Directors in reviewing and making recommendations on compensation practices, guidelines and procedures and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the members of the Board of Directors and of the Executive Committee. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.

For more details on the role of the Compensation Committee please refer to its terms of reference at <https://www.temenos.com/about-us/investor-relations/corporate-governance/> and to the Compensation Report on page 162.

Nomination & ESG Committee

The main duties of the Nomination & ESG Committee are: (i) to annually review the structure, size and composition of the Board of Directors with a view to establish a Board of Directors that can provide effective governance and perform all Board of Directors duties taking into account expertise, experience and skills needed and work towards achieving a balance in terms of diversity, including gender and origin, and make recommendations to the Board of Directors with regard to any changes, (ii) to review and propose to the Board of Directors candidates for membership on the Board of Directors to be recommended for election by the Annual General Meeting, (iii) to give full consideration to succession planning for both members of the Board of Directors and Executive Committee and (iv) to consider the strategy and targets for the ESG matters set by the Chief Executive Officer to monitor progress and achievements, to oversee ESG and climate reporting, to stay abreast of trends in ESG matters and to report accordingly to the Board of Directors.

3.5.3 Working methods of the Board of Directors and its Committees

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

In 2022, the following meetings were held:

	Number of meetings	Attendance	Average duration
Board of Directors	9	93%	2.8h
Audit Committee	6	100%	3h
Compensation Committee	9	92%	1.7h
Nomination & ESG Committee	3	100%	1h

All physical meetings were held in Geneva.

Both the external and internal auditors attended all the Audit Committee meetings in 2022.

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

At each Board of Directors meeting, a business report is presented by the Chief Executive Officer. Together with the financial report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company’s business activities on a regular basis.

The Board of Directors conducts an annual evaluation of its performance. Such process is carried out by way of an anonymous self-evaluation questionnaire on the performance and effectiveness of the Board of Directors to be completed by each of its members. The results and comments are consolidated by the Company Secretary and then discussed at the next meeting during which proposed improvements are agreed. The 2022 evaluation results were discussed at the meeting held in November 2022.



3.6 Definition of areas of responsibility

The Board of Directors is the ultimate governing body of the Company. Together with its Committees, it exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its bylaws. The Board of Directors decides in particular on significant acquisitions, disposals, strategic partnerships, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this. The Board of Directors is responsible for all aspects of security, risk management and system of internal controls.

Based on Article 17 of the Articles of Association and Article 3.6 of the bylaws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer who heads and is supported by the Executive Committee, except where the law or the Articles of Association provide differently.

The Executive Committee is responsible for execution of strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three-year basis i.e. a strategic plan to be then formally approved by the Board of Directors. Finally, the Executive Committee approves all product investments as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments vis-à-vis the Executive Committee

The Board of Directors is responsible for the Group's risk management, security and system of internal controls. Overseeing the risk management process, effectiveness and efficiency of operations, accurate reporting, compliance with laws and regulations and safeguarding the interests of the Group are some of the main responsibilities of the Board of Directors.

Prior to each meeting, members of the Board of Directors receive reports that allow them to discharge their above duties. The Chief Executive Officer and Chief Financial Officer personally report at each meeting of the Board of Directors.

The performance management process ensures that Company's targets, as agreed with the Board of Directors, are delegated to senior management during the first quarter of every financial year.

The Internal Audit function provides an independent assurance to the Board and Audit Committee on the continuing appropriateness and effectiveness of Temenos' systems of governance, risk management and internal controls. The Group Head of Internal Audit reports functionally to the Chairman of the Audit Committee.

Findings and related action plans from internal audit reviews and/or internal control self-assessments are reported to senior management; summary reports are provided to the Audit Committee at every meeting. Implementation of action plans is monitored on a regular basis and status is reported to the Audit Committee.

Risk management is an integral part of the business process. Key risks are reviewed by the Audit Committee and then by the Board of Directors itself at least once a year.

The organizational structure ensures that specialized functions such as Quality, Security and IT continuously support the management of risks.

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2022, the Executive Committee comprised the following members:

Name	Position
Max Chuard	Chief Executive Officer
Panagiotis "Takis" Spiliopoulos	Chief Financial Officer
Prema Varadhan	Chief Product and Technology Officer
Colin Jarrett	Chief Client Delivery Officer
Jayde Tipper	Chief People Officer

Ms. Jayde Tipper was appointed as a member of the Executive Committee (Chief People Officer) effective 1 January 2022.

Ms. Kalliopi Chiotti was appointed as a member of the Executive Committee (Chief Environmental, Social and Governance (ESG) Officer) effective 1 January 2022.

Ms. Alexa Guenoun resigned as Chief Operating Officer effective 10 January 2022.

Mr. Mark Winterburn resigned as Chief Product and Technology Officer effective 10 January 2022.

Dr. Colin Jarrett was appointed as Chief Client Delivery Officer effective 10 January 2022.

Ms. Prema Varadhan was appointed as a member of the Executive Committee (Chief Product and Technology Officer) effective 10 January 2022.

Ms. Kalliopi Chiotti stepped down as member of the Executive Committee effective 14 February 2022.

Ms. Deirdre Dempsey stepped down as member of the Executive Committee effective 14 February 2022.

Ms. Jacqueline White stepped down as member of the Executive Committee effective 14 February 2022.

Mr. Jean-Paul Mergeai stepped down as member of the Executive Committee effective 14 February 2022.

Mr. Philip Barnett stepped down as member of the Executive Committee effective 14 February 2022.

Mr. Erich Gerber was appointed as a member of the Executive Committee (President and Chief Revenue Officer) effective 1 March 2022.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

4. Executive Committee continued

4.1 Members of the Executive Committee continued

Mr. Erich Gerber is no longer President and Chief Revenue Officer effective 13 October 2022.

Mr. Martin Häring resigned as Chief Marketing Officer effective 31 October 2022.

Mr. Max Chuard resigned as Chief Executive Officer effective 12 January 2023.

Mr. Andreas Andreades was appointed, in addition to his role as Executive Chairman, as a member of the Executive Committee (acting Chief Executive Officer) effective 13 January 2023.

Ms. Prema Varadhan was appointed as President Product and Chief Operating Officer effective 16 January 2023.

Mr. Colin Jarrett was appointed as Chief Operating Officer, Americas effective 16 January 2023.

Please refer to [pages 146 and 147](#) for the biographies of the current members of the Executive Committee.

4.2 Other activities and vested interests

Except those mentioned in the biographies section of the Annual Report, no member of the Executive Committee has any:

- activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;
- permanent management and consultancy functions for important Swiss and foreign interest groups; or
- official functions and political posts.

4.3 Number of permitted activities

According to Article 29 of the Articles of Association, no member of the executive management may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a. mandates in companies which are controlled by the Company or which control the Company;
- b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten of such mandates; and
- c. mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten of such mandates.

“mandates” shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All members of the Executive Committee comply with these provisions.

4.4 Management contracts

Not applicable.

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programs

The executive management compensation plans seek to align executive management and shareholders’ interests by making a significant portion of compensation depend on achieving increased shareholder value for the long term and to enforce a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

Compensation of the Non-Executive members of the Board of Directors comprises fixed compensation only.

The executive members of the Board of Directors and the executive management may be paid fixed and variable compensation. Variable compensation is dependent on the achievement of certain performance criteria.

Temenos applies a policy for share ownership and retention that is applicable to the Executive Chairman of the Board of Directors and to the members of the Executive Committee. Further information is available in the Compensation Report on [page 162](#).

5.2 Additionally for issuers subject to the provisions of the company law pursuant to Art. 620-762 CO:

5.2.1 Rules in the Articles of Association on the principles applicable to performance-related pay and to the allocation of equity securities, conversion rights and options, as well as the additional amount for payments to members of the Executive Committee appointed after the vote on pay at the General Meeting of Shareholders

According to Article 27 of the Articles of Association, performance criteria shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee and may include criteria relating to individual performance, performance of the Company or parts thereof as well as performance in relation to the market or other companies, taking into account the position and level of responsibility of the employee. The Board of Directors or, where delegated to it, the Compensation Committee shall determine the performance criteria impact on variable compensation, including actual achievement and potential maximum achievement, the relative weight of the performance criteria and the respective target levels.



Compensation may be paid or granted in cash, shares, or in the form of other types of benefits. Compensation of executive members of the Board of Directors or members of the executive management may also be granted in the form of options and similar financial instruments or units. The Board of Directors or, where delegated to it, the Compensation Committee shall determine grant, vesting, blocking, exercise and forfeiture terms and conditions of these kinds of compensation; in particular, it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement.

The Company may procure the required shares through treasury shares or upon creation of shares out of conditional capital.

Compensation may be paid by the Company or companies controlled by it.

According to Article 26 of the Articles of Association, if the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the executive management during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company or companies controlled by it shall be authorized to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

5.2.2 Rules in the Articles of Association on loans, credit facilities and post-employment benefits for members of the Board of Directors and Executive Committee

Not applicable.

5.2.3 Rules in the Articles of Association on the vote on pay at the General Meeting of Shareholders

According to Article 25 of the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- compensation of the Board of Directors for the next fiscal year; and
- compensation of the executive management for the next fiscal year.

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders.

Notwithstanding the above provisions, the Company or companies controlled by it may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

6. Shareholders' participation rights

6.1 Voting-rights restrictions and representation

6.1.1 Rules in the Articles of Association on restrictions to voting rights, along with an indication of group clauses and rules on granting exceptions, as well as exceptions actually granted during the year under review

According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Articles of Association do not contain any restrictions to voting rights.

6.1.2 Additionally for issuers not subject to the provisions of the company law pursuant to Art. 620-762 CO:

Disclosures on restrictions to voting rights and rules on granting exceptions for institutional proxies, as well as exceptions actually granted during the year under review
Not applicable to the Company.

6.1.3 Reasons for granting exceptions in the year under review

Not applicable.

6.1.4 Procedure and conditions for abolishing voting rights restrictions laid down in the Articles of Association

Not applicable.

6.1.5 Rules in the Articles of Association on participation in the General Meeting of Shareholders, if they differ from the statutory legal provisions

Shareholders registered in the share register with voting rights on a determined date are entitled to attend the General Meeting of Shareholders and to exercise their votes. Each shareholder may be represented at the General Meeting of Shareholders by any other person who is authorized by a written proxy, by a legal representative or by the independent proxy holder.

Corporate Governance

CORPORATE GOVERNANCE REPORT continued

6. Shareholders' participation rights

continued

6.1 Voting-rights restrictions and representation

continued

6.1.6 Additionally for issuers subject to the provisions of the company law pursuant to Art. 620-762 CO:

Information on any rules which might be laid down in the articles of association on the issue of instructions to the independent proxy and any rules in the Articles of Association on the electronic participation in the General Meeting of Shareholders

There are no rules in the Articles of Association about electronic participation to the General Meeting of Shareholders or instructions to the independent proxy holder. However, the shareholders may provide electronically their voting instructions to the independent proxy holder.

6.2 Quorums required by the Articles of Association

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority, unless qualified majority is required by law for a specific agenda item.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least 20 days before the date of the meeting, in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting of Shareholders.

6.4 Inclusion of items on the agenda

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

6.5 Entries in the share register

Pursuant to Article 13 paragraph 1 of the Articles of Association, shareholders entered in the share register as shareholders with voting rights on a specific date determined by the Board of Directors are entitled to attend and vote at the General Meeting of Shareholders.

7. Changes of control and defense measures

7.1 Duty to make an offer

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

7.2 Clauses on changes of control

In case of change of control in Temenos, all outstanding restricted shares units (RSUs), performance shares units (PSUs) and stock appreciation rights (SARs) will become immediately vested and exercisable.

RSUs, PSUs and SARs are considered to be outstanding only if the corresponding/relevant service period has started (where such relevant service period is specified as part of the grant documentation). If not specified, they will be considered as outstanding automatically.

8. Auditors

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

8.1.1 Date of assumption of the current audit mandate

PricewaterhouseCoopers SA was re-elected as the statutory and Group auditor at the Annual General Meeting of Shareholders held on 25 May 2022 for a period of one year (first elected in 2003).

8.1.2 Date on which the lead auditor responsible for the current audit mandate took up office

Since 2019 the lead auditor for the Group audit is Mr. Yazen Jamjum.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 2,623,416 representing audit fees charged to the Company by PricewaterhouseCoopers for:

- (i) the audit of the Group consolidated financial statements and of statutory accounts in various jurisdictions (USD 2,223,416); and
- (ii) other audit fees related to work than can only be performed by the Group auditor (total of USD 400,000).

8.3 Additional fees

In addition, other fees of USD 201,000 have been incurred by PricewaterhouseCoopers through the provision of tax advisory and other professional services. Please find below a breakdown of the additional fees:

Actual 2022	USD 000
Tax compliance	0
Transactions/other audit-related	18
Non-audit fees – audit-related	18
Tax Advisory	8
Other Advisory	25
Non-audit related	33
Total recurring non-audit fees	51
Other	150
Total non-audit fees	201
Total audit fees	2,623
Total non-audit fees as a % of total audit fees	8%

8.4 Information instruments pertaining to the external audit

The Audit Committee is responsible for monitoring the performance of the external auditor, checking its independence, approving its annual audit plan and fees and reviewing its findings on internal control procedures as well as steps taken by the auditor to respond to changes in regulatory audit standards and other requirements. At the end of at least one Audit Committee meeting during the year, the Audit Committee members are meeting with the external auditor without the presence of management. The external auditor formally reports to the Audit Committee during its meetings and has direct access to its Chairman when necessary. The Chairman of the Audit Committee then reports at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.



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

9. Information policy

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

Updates

Temenos publishes an audited Annual Report for the year to 31 December and an unaudited Interim Report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional Company-specific information is available at <https://www.temenos.com/about-us/investor-relations/>.

In addition, those interested can sign up on the Temenos website by clicking to the Subscribe button at <https://www.temenos.com/about-us/investor-relations/investor-news/> to receive financial news, key client signings as well as all press releases issued in accordance with the ad hoc publicity rules; moreover, all these press releases are available at <https://www.temenos.com/news/?page=1&category=ad-hoc-announcements>.

Dates of publication of quarterly results and Temenos conferences are published on the Company's website and updated regularly at <https://www.temenos.com/about-us/investor-relations/#financial-calendar>.

Contacting Temenos

For any investor relations inquiries please contact the Company at TemenosIR@temenos.com and for management dealings inquiries/disclosures of shareholdings notifications at companysecretarial@temenos.com.

Contact details of our offices worldwide are available at <https://www.temenos.com/contact-us/>.

Meeting Temenos

On 3 May 2023, Temenos will hold its Annual General Meeting. The General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least 20 days before the date of the meeting, in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce).

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

10. Quiet periods

According to the Temenos Insider Information Policy and in addition to the general prohibition of insider trading, no purchase or sale of Temenos AG securities shall be made during the following quiet periods and irrespective of holding or not any insider information:

- during the period beginning the first day of the month following the end of the quarter (i.e. 1 January inclusive, 1 April inclusive, 1 July inclusive, 1 October inclusive) and ending on the day of public announcement of the related quarterly financial results (i.e. trading is authorized as from the day following the public announcement).

For members of Temenos AG Board of Directors, members of Temenos executive management, members of Temenos Group finance consolidation, financial planning, analysis group and any other person who have access to information related to the quarterly, interim and full-year financial results, the quiet periods are as follows:

- during the period beginning 15 days prior to the end of the quarter (i.e. 17 March inclusive, 16 June inclusive, 16 September inclusive and 17 December inclusive) and ending on the day of public announcement of the related quarterly financial results (i.e. trading is authorized as from the day following the public announcement).

Corporate Governance

COMPENSATION REPORT

Dear Shareholders,

Our compensation policy is critical to attracting and retaining the best industry talent and rewarding them based on the Company's performance and shareholder returns. Our compensation programs create a strong link between pay and performance, with the success of management aligned with outcomes that create value for our long-term shareholders. Specifically, 84% of target compensation for the Executive Chairman and members of the Executive Committee is variable, based on the achievement of rigorous financial goals and share price performance.

In 2022, Temenos saw continued strong growth of the Software-as-a-Service (SaaS) products as SaaS becomes more mainstream in the banking sector. The rise of cloud is starting to benefit the subscription business also, as banks, especially tier 1 and 2, but also others, start to implement cloud-native solutions that they run themselves on public cloud. As a result, Temenos saw strong growth rates of 15% in its Annual Recurring Revenue (ARR) in 2022.

The competition for top enterprise software talent continues to be strong and wage inflation has been climbing around the world. Temenos has taken some positive action in 2022: we did a review of pay and benchmarks with a focus on niche and in demand skills, we introduced a program of benefits such as improved maternity leave, recharge days, study leave, amongst others, we introduced a mentoring program and have focused

on career mobility and learning programs. In 2022, we continued to expand participation in our long-term equity program. In 2022, we have some 350 senior employees receiving service-based restricted stock units which vest over a three-year period with full vesting occurring in 2025. Following these initiatives, the Company's attrition levels decreased in the second half of 2022 after a significant increase in 2021. Attracting and retaining the top talent remains a key focus for Temenos.

Shareholder engagement

Ongoing shareholder dialog is a key priority of the Compensation Committee, as it provides Temenos with valuable insights. Early 2022, the Chair of the Compensation Committee engaged extensively with shareholders. Late 2022 and early 2023, the Vice-Chairman and Temenos senior management engaged with shareholders. Business issues and strategy were the key focus of these discussions. With regard to the compensation discussions in early 2022 with the Chair of the Compensation Committee, changes to the LTI structure were discussed in detail. The move to a mix of instruments away from SARs was largely supported by shareholders who understood that this aligns Temenos closer to the market and addresses both attraction and retention. The change has been implemented starting in 2022 with the Executive Committee (other than Executive Chairman, CEO and CFO) moving to a mix of instruments, 50% SARs and 50% PSUs, and a further transition in 2023 to 35% SARs, 35% PSUs and 30% RSUs. See further details in Section A.3.



At Temenos, our people play a crucial role in many economies around the world by providing mission-critical banking software to more than 150+ countries. As a global company, Temenos competes internationally for talent in the highly competitive software sector. In order to compete effectively in today's uncertain macro-economic environment and retain key talent following several years of no returns for its executives, Temenos modified its LTI plan to provide more certainty and lock-in. This was achieved by moving away from providing 100% Stock Appreciation Rights (SARs) to a mix of SARs, Performance Stock Units (PSUs) and Restricted Stock Units (RSUs) which continues to align management with shareholder returns.”



Pay for performance and at-risk compensation explained

Temenos had a challenging 2022, in particular due to sales cycles being longer than expected at the larger clients. While the Company revised its financial guidance last October, the Company was able to meet its revised targets for the fourth quarter and the full year. In 2022, the technology markets corrected significantly and Temenos was no exception. As a result, the LTI plans for Executives for the years 2020, 2021 and 2022 are all significantly out of the money.

In order for the LTI plans (traditionally in the form of SARs) to deliver returns to the Executives, they must deliver not only on the operating metrics, but also drive the share price. Operating metric targets are set at challenging levels of long-term performance, creating a strong link between pay and performance, meaning that if the share price does not grow then the SAR plan delivers zero return, creating therefore a strong link with shareholder value.

Section C provides historical data on returns from the LTI plans showing there is a strong link between the LTI returns, share price growth and EPS growth. The Company delivered exceptional performance and very strong shareholder returns for over six years through to 2018, 2019 being slightly lower. However, in 2020, due to the pandemic and the impact that it had on the Company's customers and banks around the world, the performance of the Company was affected. The lower than target performance in 2020 impacted all LTI plans that included 2020 performance (i.e. grants made in 2018, 2019 and 2020). The 2018 LTI plan vested in February 2021 at 87% of target, the 2019 LTI plan vested in February 2022 at 60%, the 2020 LTI plan vested in February 2023 at 46.67%, all with value on the vesting date of zero.

Dilution and cost of Stock Appreciation Rights (SAR)

The cost of the SAR program in the profit and loss account is the fair value at grant and is disclosed under IFRS rules. Temenos SAR programs of 2020, 2021 and 2022 are out of the money, so even though the non-cash charge included in the profit and loss account is high, the expected dilution which is the true cost to the business is minimal. From a balance sheet perspective, based on closing share price on 31 December 2022, dilution from all outstanding equity awards would equal 0.9% of total shares outstanding. The dilutive impact of our LTI programs may increase if the programs that are still active are earned at above-target levels and if the share price grows, but it cannot exceed 8.7%. The target set by the Compensation Committee is for the cumulative average growth in dilution from all stock-based compensation to remain at less than 2% per annum. This was -0.4% on a CAGR basis for the last 5 years and for 2022 dilution was also negative. This topic is discussed in more detail in section B.7.

Outlook

Temenos pay for performance philosophy remains a core operating principle. The Compensation Committee believes that our Compensation structure should support the Company's long-term business objectives and human capital strategies.

In conclusion, our compensation program reflects a world-class company that is a leader in the global banking software market, which delivers superior returns to its shareholders, customers and other stakeholders. In order to achieve this, the program is designed to build and retain a world-class management team and align their interests with those of our shareholders and drive strong short-term and long-term operating results. The Compensation Committee remains committed more than ever to our dialog with shareholders and we welcome regular feedback on our compensation policies.

On behalf of the Compensation Committee, I wish to thank you for your trust, support and valuable feedback. We look forward to receiving your support at the AGM.

Dr. Homaira Akbari

Chairperson of the Compensation Committee

Corporate Governance

COMPENSATION REPORT continued

A. Compensation policy and principles

A.1. Compensation objectives

This Compensation Report has been prepared in accordance with art. 732 et seqq. of the Swiss Code of Obligations (CO) related to the remuneration in listed companies, the SIX Exchange regulations, the Swiss Code of Best Practice and the Articles of Association of Temenos.

The report describes the compensation system, the criteria that apply to the compensation of Temenos Executive Committee and the Board of Directors and discloses the amount of compensation paid in 2022. It also details changes to the compensation system for 2023.

Temenos' executive compensation programs are designed with two main goals in mind:

- fostering a performance-based corporate culture through a variable pay for performance compensation structure; and
- making the largest portion of executive compensation dependent on delivering shareholder returns through the achievement of rigorous long-term performance goals and share price appreciation.

Executive compensation consists of three primary components:

- fixed cash compensation and benefits;
- variable cash linked to short-term performance targets (i.e. current financial year); and
- equity-based variable compensation that is linked to long-term performance targets.

Compensation of the Non-Executive members of the Board of Directors comprises fixed compensation only.

Performance criteria are set by the Board of Directors and may include criteria relating to the performance of the Company or parts thereof, performance in relation to the market or other companies, as well as individual performance. The Board of Directors determines the extent to which the performance criteria impact variable compensation, including maximum pay opportunities, and the relative weight of the performance criteria. The Board of Directors also oversees the conditions linked to the grant, vesting, exercise and the forfeiture of equity-based incentive programs.

A.2. Organization and competencies

Executives

The Executive Chairman and the Executive Committee are hereinafter referred to as the "Executives".

The Executives who served in the 2022 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman

Executive Committee:

The Executive Committee members in 2022 were as below:

- Max Chuard, Chief Executive Officer (CEO)
- Panagiotis "Takis" Spiliopoulos, Chief Financial Officer (CFO)
- Colin Jarrett, Chief Cloud Officer (CCO) until 9 January 2022 and thereafter Chief Cloud and Delivery Officer (CCDO)
- Jayde Tipper, Chief People Officer (CPO)
- Prema Varadhan, Chief Product and Technology Officer (CPTO) from 10 January 2022
- Martin Häring, Chief Marketing Officer (CMO) until 31 October 2022
- Erich Gerber, Chief Revenue Officer (CRO) from 1 March 2022 until 13 October 2022
- Jean-Paul Mergeai, President International Sales until 14 February 2022
- Jacqueline White, President of the Americas until 14 February 2022
- Philip Barnett, President of Strategic Growth until 14 February 2022
- Deirdre Dempsey, Chief Legal Officer (CLO) until 14 February 2022
- Kalliopi Chioti, Chief Environmental, Social & Governance (ESG) Officer until 14 February 2022
- Mark Winterburn, Chief Product and Technology Officer (CPTO) until 10 January 2022
- Alexa Guenoun, Chief Operating Officer (COO) until 10 January 2022

**Non-Executive Directors:**

- Thibault de Tersant, Vice-Chairman
- Homaira Akbari
- James Benson
- Maurizio Carli
- Ian Cookson
- Erik Hansen
- Peter Spenser
- Debbie Forster, from 25 May 2022
- Cecilia Hultén, from 25 May 2022

A.3. The role of the Compensation Committee

The Compensation Committee is authorized by the Board of Directors:

- to approve compensation practices, policies and procedures that relate to the Executive Committee and other employees of the Company;
- to review and recommend to the Board of Directors the applicable performance targets and the compensation levels;
- to review the competitiveness of the Company's executive compensation programs;
- to ensure the attraction and retention of members of the Executive Committee to achieve the Company's business objectives;
- to align the interests of key management to the long-term interests of the Company;
- to review and approve recommendations from the CEO on compensation packages for members of the Executive Committee; and
- to make recommendations to the Board of Directors on total compensation for Executive Directors and members of the Executive Committee.

To fulfill its duties, the Compensation Committee typically aims to meet four to five times during the year, however, additional meetings were required in early 2022 to address the AGM 2022 request and in January 2023 two additional meetings were held in order to address the Executive changes. The table below shows the meetings held in financial year 2022:

Month	No of meetings	Topics discussed
January	3	Approval of LTI grant for Executives and employees
February	2	Approve previous fiscal year performance achievements and payouts, approve the current fiscal year performance targets for variable short-term incentive and approve the long-term variable compensation grant performance targets
March	2	Finalize the recommendation on principles of prospective compensation for the fiscal year 2024 to be submitted for approval at the Annual General Meeting of Shareholders (AGM)
July	1	Review the Comparator Group and Executive Compensation benchmark
October	1	Review the Compensation Committee terms of reference and approve new Comparator Group

As a result of these additional meetings in 2022, the Compensation Committee met nine times in total.

The Compensation Committee comprised five Independent and Non-Executive Directors:

- Homaira Akbari, Chairperson
- James Benson
- Maurizio Carli
- Debbie Forster from 25 May 2022
- Peter Spenser

The Compensation Committee members are elected annually by shareholders. Other Board members, CEO and CFO have the right to attend the relevant meetings and have the right to put forward their opinions but do not have voting rights.



Corporate Governance

COMPENSATION REPORT continued

A. Compensation policy and principles continued

A.3. The role of the Compensation Committee continued

Approval process

Before submission to the shareholders for approval, the recommendation of compensation packages for Board and Executive Committee members are governed as follows:

Compensation of	Recommended by	Approved by
Executive Chairman of the Board of Directors	Compensation Committee	Board of Directors
CEO and other members of the Executive Committee	Compensation Committee	Board of Directors
Non-Executive members of the Board of Directors	Chief Executive Officer	Chairman of the Board

Benchmarking process and external consultants

To ensure executive compensation is set competitively to attract and retain talented professionals over the long term, the Compensation Committee reviews benchmark data collated from a range of organizations in the technology sector every year. Benchmarks are performed on total compensation and also compensation structure, such as proportion of variable compensation, proportion of performance-linked compensation, performance metrics and thresholds for variable compensation. For Non-Executive Directors, the Company reviews benchmarks with the SMIM and with the peer group used for executive compensation described below.

In 2022, the Compensation Committee continued their engagement with FW Cook as its independent compensation consultant to assist in determination of the appropriate peer group and the benchmarking process.

With the assistance of FW Cook, the Compensation Committee reviewed the Comparator Group for 2022 using objective selection criteria and maintaining strong continuity with eleven companies carried over from the 2021 Comparator group.

- Focus on software/SaaS companies, with a business-to-business focus, prioritizing those working with or within the financial services sector.
- Other software companies that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics, growth and complexity.
- They are of similar size, measured by revenue and market capitalization between 0.33 and 3.0x of Temenos. We made an exception for FIS and Fiserv, given that they are direct competitors of Temenos, even though they fall outside the size range.
- A combination of European-headquartered and US-headquartered companies.

Using these criteria, the independent compensation consultant recommended a peer group of 16 companies as follows, which reflect key competitors for business and senior executive talent:

Organization	Country	Organization	Country
ACI Worldwide	USA	Q2 Holdings	USA
Broadridge Financial Solutions	USA	Simcorp	Denmark
Fidelity National Information Services (FIS)	USA	Software AG	Germany
Fiserv	USA	SS&C	USA
Guidewire Software, Inc.	USA	Suse	Luxembourg
Jack Henry and Associates	USA	Teamviewer	Germany
Logitech International	Switzerland	The Sage Group	UK
NCINO, INC.	USA	Worldline	France

Dassault and Workday were removed as they exceed the size criteria that have been put in place. Additionally, Microfocus and Citrix were removed because both were in the process of being acquired. Two US companies were added: NCino and Guidewire. To ensure a balanced representation of European and US issuers in the peer set, three companies headquartered in Europe were also added: Suse, Teamviewer and Worldline. FIS and Fiserv remain outliers from a size perspective but are retained as they are key business competitors.

Shareholder engagement and outlook for fiscal years 2022 and 2023

Ongoing shareholder dialog is a key priority of our management and the Board of Directors and therefore, we routinely engage with shareholders to discuss business, performance, compensation and governance matters.

In early 2022, we invited our major shareholders representing over 70% of outstanding shares to a meeting with the Temenos Compensation Committee Chairperson. The Chairperson of the Compensation Committee engaged in a total of nine meetings with shareholders representing approximately 40% of outstanding shares and also with key proxy advisors. The major topics discussed were the current design of Temenos' incentive compensation programs, potential changes to better support the business and human capital strategies moving forward, performance metrics and goal setting for both STI and LTI plans and target pay levels for the Executive Chairman and the Executive Committee.

In late 2022 and early 2023, the Vice Chairman and other members of senior management engaged extensively with shareholders focusing on business matters and strategy. In early 2023, the Chair of the Compensation Committee engaged also with proxy advisors on compensation matters and the executive changes.



LTI instruments

As discussed in early 2022 with shareholders, we have continued in early 2023 with our move to share-based instruments for the majority of employees as opposed to SARs. This move was to support the attraction and retention of top talent in a highly competitive industry and align with our competitors. We now use a mix of Restricted Stock Units (RSUs), Performance Stock Units (PSUs) and Stock Appreciation Rights (SARs). In 2023 the Executive Committee received a mix of 30% in RSUs, 35% in PSUs and 35% in SARs. As already stated last year, the CFO continues to receive 100% of his LTI in SARs in 2023. While all instruments ensure that the interests of Executives are aligned with shareholders, the mix applied for the Executive Committee reflects current market practice and facilitates recruitment and retention. Shareholders expressed support for this move to a different mix and recognized that the proposal was in line with market practice, while requesting that Temenos maintains its performance-based compensation philosophy, hence the limit of 30% weighting for non-performance-based elements within the annual compensation program for Executives.

Performance and funding of STI and LTI plans

As discussed also in early 2022 with shareholders, in 2023 we moved to funding the LTI plan at 50% when the performance threshold of 85% is reached based on cumulative results for the three-year vesting period.

A.4. Votes on compensation

As set out in the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- compensation of the Board of Directors for the next fiscal year; and
- compensation of the Executive Committee for the next fiscal year.

The Articles of Association can be found on the Temenos website:

<https://www.temenos.com/wp-content/uploads/2022/02/tsag-articles-2022-feb.pdf>.

Section V and VI, articles 25 to 28, relate to compensation.

The Compensation that will be approved at the AGM covers the elements below with the respective timing:

2023	2024	2025	2026	2027	2027–2034
	Salary				
	STI performance period	STI payment	STI restricted shares		
AGM vote		RSU/PSU Service/Performance Period		Q1-27 vesting	
		SAR Performance period			SAR exercise period

The Board of Directors may submit for approval by the General Meeting of Shareholders, proposals in relation to maximum aggregate amounts of compensation relating to different periods, or in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements and submit the amount(s) so determined for approval by a newly scheduled General Meeting of Shareholders. The Company may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by the General Meeting of Shareholders.

As stated in the Articles of Association, if the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of, or are being promoted within, the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company is authorized to pay the member or members a supplementary amount during the compensation period already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the Executive Committee last approved for the corresponding compensation period by the General Meeting of Shareholders, i.e. for the compensation of the financial year 2022 the supplementary amount that may be utilized would be 40% of the amount approved by shareholders for 2022 at the AGM 2021.



Corporate Governance

COMPENSATION REPORT continued

B. Compensation components

B.1. Summary of compensation elements for employees

The table below explains the compensation elements for the fiscal year 2022:

	Fixed salary and benefits	Variable short-term incentive (bonus or commission)	Variable long-term equity incentive
Eligibility	All employees	All employees	Executive Chairman, Executive Committee members and senior managers
Basis for funding	Continuity of service, role and experience	Role and experience with a 90% threshold on global targets (80% on regional targets)	Continuity of service over three years plus achievement of three fiscal year operating metrics targets
Payout	Monthly or bi-weekly depending on jurisdiction	After performance for the financial year has been audited	On Board of Directors' approval of the results for the final year of the LTI plan
Payout subject to	Forfeiture rules	No	Yes
	KPIs	No	Yes
Performance range for Executive Directors, Executive Committee members and senior managers	None	90% target threshold at which 50% is paid Linear payout between 90% and 100% and 2 to 1 ratio performance above 100%:125% of target performance is required for maximum 150% of target payout	Up to 33% of target LTIs can be funded in each of the three years covered if all annual targets are achieved at 100% Up to 175% of target LTIs can be earned if cumulative three-year performance is at 137.5% of target for all measures, with 0% of target LTIs funding if cumulative 3-year performance is below 85% of target
Settlement	Cash	Cash and deferred shares	Shares
Malus and clawback clauses*	Not applicable	Yes	Yes

* Malus and clawback clauses for both STI and LTI withhold or recover funds for any cases where fraudulent behavior results in numbers being restated for external reporting purposes.

B.2. Compensation elements for the Executive Chairman and Executive Committee members

The elements of the above table, together with their objectives, are as follows:

Fixed salary

- To compensate Executives for their expected day-to-day responsibilities, leadership and contribution to the business.

Benefits

- To provide a level of security in health and retirement and, should it be required, in disability and death.

Variable short-term incentive

- To make a significant portion of Executive overall annual compensation variable and dependent on delivery of the Company's annual key targets, which for 2022 included non-IFRS software license revenue, SaaS ACV ("Annual Contract Value"), non-IFRS EPS and operating cash.
- The Executive Chairman and Executive Committee members are given the choice to receive the bonus in cash or to receive 50% in cash and 50% in restricted shares. The share element is eligible for a 20% premium in return for a vesting period until 1 March 2024 for the STI for 2022 and deferred settlement until separation of employment. The CEO elected to receive 50% in cash and 50% in shares.



Variable long-term equity incentive

- To emphasize long-term performance, with earnout that is variable and linked directly to achievement of key long-term financial performance results, with value delivery also contingent on share price appreciation to support alignment with shareholders.
- To retain Executives for the long term.

The Executive Chairman works in an executive capacity full time and is jointly responsible, together with the Executive Committee, for the delivery of the business plan. His role is described in more detail on [page 155](#) in the Corporate Governance section. His compensation reflects his executive role and as such is made up of a fixed salary, benefits, variable compensation as a short-term incentive and SARs as a variable long-term incentive, consistent with the pay structure for other members of the Executive Committee.

B.3. Summary of key organization and compensation changes in 2022

The Executive Committee was restructured early 2022, with further changes in March and October 2022:

- Jayde Tipper was appointed Chief People Officer (CPO) on 1 January 2022.
- Prema Varadhan was appointed Chief Product and Technology Officer (CPTO) on 10 January 2022.
- Colin Jarrett, who was Chief Cloud Officer (CCO) until 9 January 2022 was appointed Chief Cloud and Delivery Officer (CCDO) on 10 January 2022.
- Philip Barnett, President of Strategic Growth stepped down from the Executive Committee on 14 February 2022 but continued in his role.
- Kalliopi Chioti was appointed Chief Environmental, Social and Governance (ESG) Officer on 1 January 2022 and stepped down from the Executive Committee on 14 February 2022 but continued in her role.
- Deirdre Dempsey, Chief Legal Officer (CLO) stepped down from the Executive Committee on 14 February 2022 but continued in her role.
- Jean-Paul Mergeai, President International Sales stepped down from the Executive Committee on 14 February 2022 but continued in his role.
- Jacqueline White, President of the Americas stepped down from the Executive Committee on 14 February 2022, continued temporarily in her role and subsequently left Temenos on 31 March 2022.
- Alexa Guenoun, Chief Operating Officer (COO) stepped down from the Executive Committee on 10 January 2022 and, after a period of garden leave, left Temenos on 30 September 2022.
- Martin Häring, Chief Marketing Officer stepped down from the Executive Committee on 31 October 2022 and is on garden leave during his notice period until 31 October 2023.
- Erich Gerber was appointed President and Chief Revenue Officer (CRO) on 1 March 2022. He left the Executive Committee on 13 October 2022 and is on garden leave during his notice period until 13 October 2023.
- Mark Winterburn, Chief Product and Technology Officer (CPTO) stepped down from the Executive Committee on 10 January 2022 and left Temenos on 31 March 2022, after a short period of handover to his successor.

Points to note for 2022 compensation include the following:

- The 2020 SAR plan vested in February 2023 with a final payout of 46.7%. The KPIs for 2021 and 2022 had been amended after approval of shareholders at the 2021 AGM. The KPIs for the 2021 plan had been amended from 60% Non-IFRS Product Revenues and 40% Non-IFRS EPS, to 60% Total Bookings, 20% Non-IFRS EPS and 20% Free cash flow in order to address and support the SaaS acceleration at the time. As a result, Temenos amended the KPIs for the future years of the in-flight plans in order to ensure that : (i) management was aligned with the strategy of the Company, (ii) there is no conflict between different plans and (iii) there was no confusion by management of what was expected of them. If the KPIs had not been amended the payout would have been zero. The grant price for the 2020 grant was set at USD 168.81 and the closing price on vesting date (20 February 2023) was USD 73.75. As a result, the portion of the SARs earned were out of the money as of the vesting date. However, the Executives have seven years from February 2023 to exercise their earned SARs and realize value when the share price increases above USD 168.81. The standard rule as per the SAR plan is that if participants leave Temenos they must exercise within 60 days of termination date.



Corporate Governance

COMPENSATION REPORT continued

B. Compensation components continued

B.4. Variable short-term incentive

Performance criteria

Annual targets for Executives are set by the Board of Directors based on recommendations by the Compensation Committee.

For 2022, the short-term incentive plan was based on the following targets:

- non-IFRS Total Software Licensing (30%);
- SaaS ACV (30%);
- non-IFRS EPS (20%); and
- net operating cash flow (20%).

On-target performance is rewarded at 100% of fixed salary. The global targets and respective achievements for the Executives in 2022 are set out in the table below. The targets were not met for this financial year:

2022 Target	Percentage of bonus	Target USD	Actual USD	Threshold %	Achievement %	To be paid %
Non-IFRS software licensing	30%	482m	405m	90%	84%	0%
SaaS ACV	30%	75m	58m	90%	77%	0%
Non-IFRS EPS	20%	4.05	2.82	90%	70%	0%
Net operating cash flow	20%	450m	317m	90%	70%	0%
Total						0%

B.5. Long-term equity incentive

The instruments used in 2022 for the long-term incentive scheme were extended to not only SARs but also PSUs. The Executive Chairman, CEO and CFO stayed exclusively with SARs while remaining Executive Committee members and management with grant of over USD 250,000 were given a mix of 50% SARs and 50% PSUs. All other members of the senior management were given solely PSUs. The Company grants SARs and PSUs to Executives and senior managers with performance and vesting criteria. The Board of Directors believes the performance-based LTI plan aligns strongly with the interests of long-term shareholders, as they are required to achieve rigorous operating metrics (defined below) and for SARs, to achieve growth in the share price in order to have any value to the recipient. In this way, the Company incentivizes the management team to deliver strong revenue growth and profitability over the long term. A limited number of RSUs were issued on joining (CRO and some other senior management) to compensate them for financial disadvantage as a result of leaving their previous employer and retention (other senior management).

Grant conditions are linked to the achievement of annual and three-year cumulative targets, with SARs and PSUs vesting on the third-year anniversary of the grant.

SARs are valued on a fair value basis by an independent organization, Algofin AG, using the Enhanced American Model, a sophisticated binomial model, so as to comply with IFRS 2. Algofin AG is a consulting company domiciled in St. Gallen, Switzerland, specializing in Quantitative Finance, Modern Financial Instruments and Consulting in Asset Management. To ensure pricing integrity, long-term equity awards are not issued at a discount to market price; they are priced at the closing market price on the grant date. The fair value at time of grant is expensed over the vesting period based on the latest probable outcome of the final number of SARs to be granted.

Temenos SAR program is stock settled. Employees are given the shares at the time of exercise, the number of shares given being calculated as the appreciation of the share price from grant date multiplied by number of SARs and divided by the stock price at the time of exercise. The participants can choose to exercise and sell or exercise and hold. If the share price is lower than the price at grant, then no gain is realized, however, participants have seven years from vesting date in which to exercise.

Temenos PSU program is also stock settled. Employees receive the shares (1 PSU results in 1 share) on the vesting date and they can choose to hold (net of taxes) or sell the shares.

Temenos ensures it can meet its demand for shares through available conditional capital or treasury shares. Conditional capital increases are approved by shareholders at the AGM. Conditional capital was used for all SAR exercises and share vestings in 2022. UBS holds the treasury shares and administers the conditional capital issuance when required in relation to the share scheme.

The tables below provide an overview of the LTI schemes in place together with their performance criteria and pricing. The level and value of awards is commensurate with an Executive's contribution to the business.



Overview of Executive LTI schemes

The schemes that are not vested as at 31 December 2022 are outlined in the table below, including the 2022 scheme granted in this compensation year:

Year of grant	Scheme	No awarded for Executives ¹	No of Executives awarded	Exercise price	Fair value USD	Grant date	Vesting date
2022	RSUs ²	51,867	1		96.40	1 March 2022	25% per quarter starting June 2022
2022	PSUs	15,560 ³	1		96.40	1 March 2022	1 March 2025
2022	SARs	60,756 ³	1	96.40	24.03	1 March 2022	1 March 2025
2022	PSUs	17,850	4		107.65	15 February 2022	On Board of Directors' approval of the results for the year ending 31 December 2024
2022	SARs	590,000	7	107.65	27.57	15 February 2022	On Board of Directors' approval of the results for the year ending 31 December 2024
2021	SARs	5,000	1	156.81	36.14	21 July 2021	20 July 2024
2021	SARs	37,500	1	160.20	37.00	1 July 2021	30 June 2024
2021	SARs	741,500	12	143.54	35.57	18 February 2021	On Board of Directors' approval of the results for the year ending 31 December 2023
2020	SARs	8,693	1	158.36	39.59	14 September 2020	14 September 2023
2020	SARs	587,250	7	168.81	39.05	13 February 2020	On Board of Directors' approval of the results for the year ending 31 December 2022

- 1 The number of instruments granted includes the number of instruments granted to those who were Executives at the time of grant; this is not equal to the current members.
- 2 On 1 March 2022, Erich Gerber was granted 51,867 RSUs at the price of USD 96.40. This was to compensate him for a financial advantage that his previous employer would have awarded him, but which Erich Gerber forewent in order to join Temenos.
- 3 Following Erich Gerber's termination, only 50% of these will vest (based on his pro rata employment period), subject to performance conditions.



Corporate Governance

COMPENSATION REPORT continued

B. Compensation components continued

B.5. Long-term equity incentive continued

Vesting conditions for SARs and PSUs

Vesting of the SAR and PSU awards occurs after three years, subject to continued employment and the achievement of performance targets described below.

The targets for the SAR schemes outstanding on 31 December 2022 are outlined below:

KPIs	Weighting SARs
Total Bookings ¹	60%
Non-IFRS EPS	20%
Free cash flow	20%

¹ For the 2020 LTI plan, the targets for the year 2020 are 60% Product Revenues and 40% Non-IFRS EPS which were not met. The targets for the years 2021 and 2022 were amended to the KPIs above to reflect the acceleration towards SaaS as noted in the annex to the AGM 2021 document (see page 173 for final vesting outcome).

Rigorous performance goals underline the 2022 LTI plan, with the target three-year CAGR set for Total Bookings at 17%, for non-IFRS EPS at 12% and for Free cash flow at 4%. Free cash flow is impacted by the move to subscription invoicing from 2022. The CAGR growth reduction is a one-off adjustment in 2022 to cover this transition.

Vesting outcome for SARs and PSUs

The vesting outcome for the SARs and PSUs granted is the greater of:

- the sum of the result of each of the three individual years, where one-third is based on achievement of annual results for each year. There is no overachievement element on the awards linked to annual targets, where funding is binary at either 0 or 100%;
- three-year cumulative goals, which requires achievement being greater than 85% of the sum of the annual targets, with the potential for funding at up to 175% of the target SARs as explained below.

Over/under achievement for the cumulative performance of SAR and PSU schemes

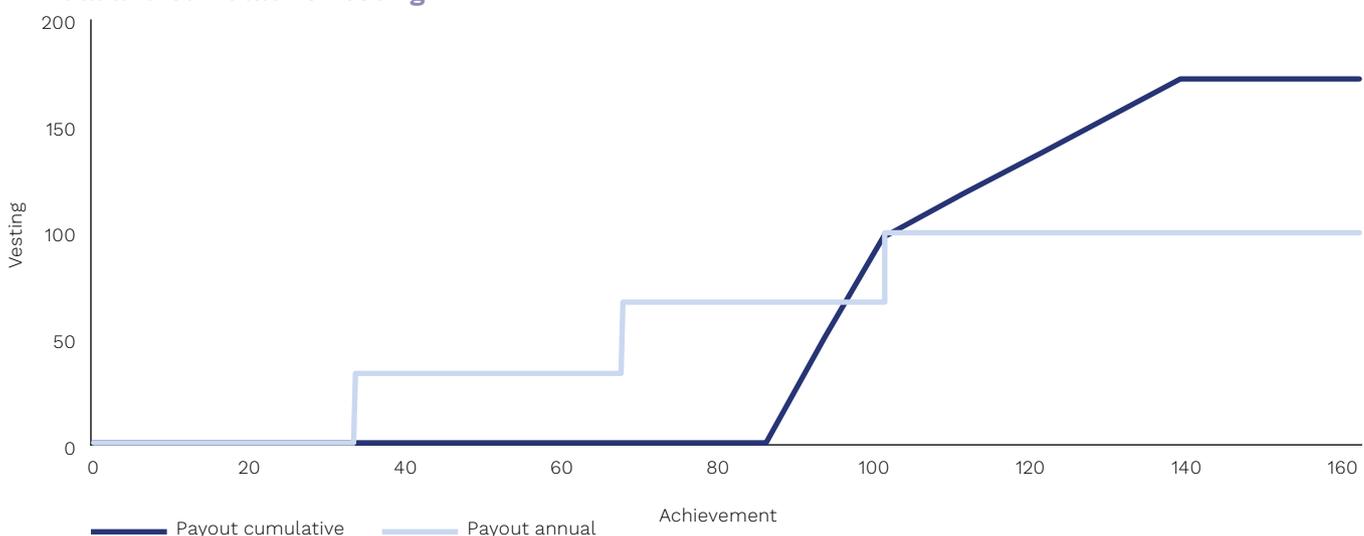
For achievement between 85% and 100% of target a pro-rated reduced amount will vest. Above 100% achievement, for every 1% overachievement of the three years cumulative for each KPI target, an additional 2% of SARs may be granted up to a maximum of 175% of the total grant. Below 100% achievement, for every 1% underachievement, 6.67% of the number of SARs are forfeited so that funding equals 0% at 85% of target. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative achievement for each KPI:

Achieved as % of cumulative target	85%	92.5%	100%	110%	120%	137.5%
Proportion vesting	0%	50%	100%	120%	140%	175%

Below the vesting shown pictorially:

Annual and cumulative vesting





Achievement of the 2020 LTI SAR scheme

Under the 2020 LTI SAR scheme, which vested on 28 February 2023, the performance targets at grant had been set as 60% non-IFRS product revenues and 40% non-IFRS EPS. The 2021 and 2022 KPIs were modified to align with the three KPIs implemented for the 2021 LTI plan. This was discussed in the shareholder engagement sessions in January 2021 and included in the annex presented to shareholders at the AGM in May 2021. Product Revenues was replaced with Total Bookings to ensure that growth in the SaaS business was incentivized in the same way as the growth in the license business. Non-IFRS EPS annual target had a weighting of 13.3% per annum (one-third of 40%). This was changed to a weighting of 6.7% for 2021 and 2022 and free cash flow was added at a 6.7% annual weighting.

The reason for this change was to ensure that:

- management was aligned with the strategy of the Company and understood what was expected of them; and
- there was consistency between the different plans.

As the KPIs were different for earlier and later years (e.g. Product Revenues for fiscal years 2019 and 2020 and Total Bookings for fiscal year 2021), the cumulative overachievement was no longer applicable, only the annual targets for each KPI were applicable for assessment. Annual targets are binary, hence they are either met or not. If the KPIs had not been amended, funding would have been zero.

The payout for the 2020 LTI SAR plan is as follows:

Payout for 2020 SAR plan	Weighting	Vesting	Funding
Non-IFRS Product Revenues/Total Bookings ¹	60%	66.67%	40.00%
Non-IFRS EPS/Free cash flow ²	40%	16.67%	6.67%
Combined payout			46.67%

¹ The targets for 2021 and 2022 were met, the target for 2020 was not met.

² The targets for EPS were not met for any of the three years. The target for free cash flow for 2021 was met and for 2022 was not met.

On 20 February 2023, the vesting date, the closing share price of USD 73.75 meant that realized pay from the earned SARs was zero given the exercise price of USD 168.81. However, the Executives have an additional seven years during which time they can exercise the SARs supporting go-forward shareholder alignment.

B.6. Share ownership

Executives

The following minimum amounts of shares must be held:

Executive Chairman	4 times annual fixed salary
CEO	5 times annual fixed salary
CFO	2 times annual fixed salary
Other Executives	1 time annual fixed salary

Members must satisfy the requirement by the later of three years after appointment to the Executive Committee or as soon as the first SARs received for a new joiner deliver the required number of shares to cover the above-mentioned minimum.

The number of shares to be held are calculated based on the closing stock price of 31 December of the prior year and the fixed salary for the year. For example, the number of shares required to be held on 31 December 2023 is calculated based on the share price of 31 December 2022 and fixed salary for the year 2023 as at 1 January 2023. This allows the Executives sufficient time to take any required actions. Only owned Temenos shares (including in the form of ADRs) are counted when evaluating compliance with the guideline. Unexercised SARs do not count.

Non-Executive Directors

Non-Executive Directors must hold shares with a value equivalent to the annual retainer fee. This must be effective by May 2023 for Non-Executive Directors elected prior to May 2020. New Non-Executive Directors must adhere to this guideline within three years of election at AGM.

The shareholdings for both Executives and Non-Executive Directors are shown in section F.1.

Corporate Governance

COMPENSATION REPORT continued

B. Compensation components continued

B.7. Dilution and capital requirements

A SAR is an incentive given to employees that aligns their interest with shareholders, with realized pay equal to the appreciation of Company stock over an established time period. Similar to employee stock options, SARs are beneficial to the employee when the Company stock price rises; the difference with SARs is that employees do not pay the exercise price but only receive the sum of the increase in stock or cash. 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 100 are exercised when the share price is USD 150, then the gain is USD 50,000, equivalent to a 333 share dilution (USD 50,000 divided by USD 150).

When issuing SARs, the Compensation Committee reviews the potential dilution to ensure that it remains within our target of no more than 2% per annum (pa) increase on a CAGR basis. The dilution for the period 2020-2022, the period over which the 2020 LTI SAR scheme vested on a CAGR basis, was negative since the 2020, 2021 and 2022 LTI grants are out of the money.

The total cumulative dilution as of 31 December 2022 from all outstanding SARs, PSUs and RSUs has been calculated at the balance sheet date and subsequently based on various simulations in the table below. 0.3 million of the SARs are included already in the EPS dilution.

Simulations	No. of shares Million	No. of SARs/ restricted shares Million	Average price USD	Assumed share price on exercise USD	No. of shares to be created Million ¹	Dilution	No. of SARs included in diluted EPS Million ¹
Closing share price	71.8	5.2	106	54.9	0.7	0.9%	0.3
15% growth	71.8	5.2	106	83.4	1.1	1.5%	0.3
30% growth	71.8	5.2	106	120.5	1.9	2.6%	0.3
Maximum dilution with full overachievement (infinite share price)	71.8	6.9	106	n/a	6.9	8.7%	0.3

¹ The calculation includes all Shares and SARs in the money.

The conditional capital of 2.9 million shares that is available at 31 December 2022 covers this requirement and our dilution cannot exceed 8.7% no matter how much the price increases. The maximum is calculated as the number of SARs outstanding including maximum overachievement divided by this plus the number of outstanding shares, i.e. (5.2 million + 1.7 million)/(5.2 million + 1.7 million + 71.8 million). A more realistic estimate is a dilution of 1.1 million shares based on a CAGR share price growth of 15% over the next three years, which would translate into dilution of 1.5%.

B.8. Contract terms for the Executive Chairman and Executive Committee members

The contractual notice periods of the Executive Chairman, being the sole executive member of the Board of Directors, and members of the Executive Committee do not exceed 12 months; there are no non-statutory severance payment clauses.

In case of a change of control of Temenos AG, all LTI instruments granted will become immediately vested and exercisable provided that their respective vesting period has started. A case of change of control occurs when a third party acquires the control of more than 50% ownership in Temenos AG.

In case of termination by Temenos for cause, all unvested LTI instruments are forfeited. In other termination scenarios the treatment of the unvested LTI instruments varies by role and is described in each plan and, as the case may be, in the corresponding grant letter(s).

B.9. Compensation elements for Non-Executive Directors

The Non-Executive Directors were compensated in 2022 with a fee for their Board duties. Their fees have increased in 2022 from USD 108,000 to USD 140,000. The fees for the Chairman of the Audit Committee have increased from USD 42,000 to USD 55,000. The fees for the Chairperson of the Compensation Committee have increased from USD 42,000 to USD 45,000. The Chairman of the Nomination & ESG Committee received fees of USD 35,000. Additional fees for Directors traveling long haul have been introduced, for an annual amount of USD 10,000.

The detail by person is provided in section D.



C. Pay for performance appraisal

To align with shareholders’ interests, Temenos’ executive compensation program is designed to foster a pay-for-performance culture. The chart below shows a percentage split of aggregate compensation of the Executives for 2022.

2022 Executive Chairman and Executive Committee

At grant



The fixed salary and benefits are the only unconditional, (i.e. non-risk) components; short-term variable (STI) compensation is dependent on the achievement of the results for 2022 which were not met and long-term incentive (LTI) is dependent on the achievement of the results for the three-year period 2022 to 2024 inclusive.

In 2022, 84% of total compensation at grant was variable and conditional upon performance targets and therefore at risk.

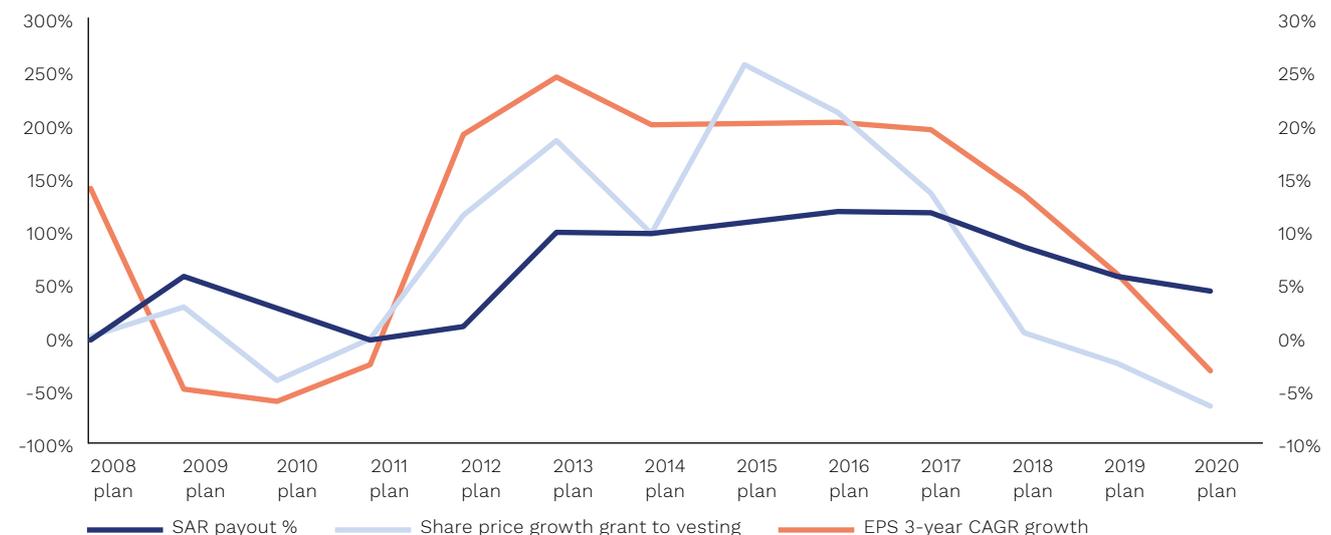
The LTI is subject to both performance and time vesting criteria and will not vest until February 2025. The 2022 targets were not met, hence no part of the LTI has been earned as at 31 December 2022.

SAR payout vs EPS and share price growth

With regard to the Long Term Incentive Plan, the chart below shows the long-term alignment of LTI funding vs the annual growth of our non-IFRS EPS and share price performance.

Year of grant of SAR plan	Final vesting	Year of grant of SAR plan	Final vesting
2011	0%	2016	121%
2012	13%	2017	120%
2013	101%	2018	87%
2014	100%	2019	60%
2015	110%	2020	47%

EPS growth vs SAR payout and SAR share price growth



Operating metric targets are set at challenging levels of long-term performance, creating a direct link between pay and performance. The Company had an exceptional performance with very strong shareholder returns for over six years through 2018. After that period, average SAR funding was at below-target levels, highlighting the rigor of the underlying performance goals. In 2020, due to the pandemic and the impact that it had over the Company’s customers and banks around the world, the performance of the Company was affected. This impacted shareholder returns which in turn led to a reduction in management’s realized pay, even though the driving events were outside of management’s control. The lower than target performance in 2020 impacted LTI plans of 2018, 2019 and 2020 with vesting respectively in February 2021, 2022 and 2023.

**Corporate Governance****COMPENSATION REPORT** continued**D. Compensation for financial year under review – audited**

This section (section D on pages 176 to 179) has been audited by Temenos' auditor, PricewaterhouseCoopers SA.

As individuals are paid in currencies other than US dollars, the amounts in the tables below are converted into US dollars using the average exchange rate for 2022 and the average exchange rate for 2021 respectively. Comparison between these two years may be distorted through the exchange rate fluctuations.

The LTI value included in the compensation tables below represents the full fair value of the on-target achievement at the time of grant i.e. for 2022 the LTI includes the fair value of the SARs and PSUs. With respect to SARs, it includes 100% of the fair value of the 2022 grant calculated by a third party using the binomial method. The PSU fair value is the share price at grant. The valuation method, conditions and grant details are explained in the paragraph titled Compensation components.

In order for the 2022 fair value (i.e. the LTI value recorded in the compensation tables below) to be realized at 100% for the employee, the following conditions need to be satisfied:

- non-IFRS Bookings of at least 17% CAGR growth over the three years and non-IFRS EPS CAGR growth of at least 12% and Free cash flow growth of at least 4% (or a different combination between the three in accordance with the weightings and over/under achievement); and
- stock price CAGR growth of at least 7.9% compared to the grant date stock price of USD 107.65 (i.e. the 7.9% increase at 100% vesting will deliver a gain equivalent to the LTI value in the tables below).



D.1. Board of Directors

The total compensation for the Board of Directors including social security charges totals USD 7.4 million compared to a total maximum compensation of USD 8.2 million approved by the shareholders at the AGM on 20 May 2021.

The total Executive Chairman's 2022 compensation of USD 6 million, includes USD 0.7 million of fixed salary and Board fee, and USD 5.1 million for LTIs at fair value at time of grant, based on a share price at grant of USD 107.65. To earn this value, the performance criteria must be met and share price must grow to USD 135 by 15 February 2025. The STI target was not met and therefore no STI incentive was paid to the Executive Chairman.

Name	Year	Fixed fee/ salary	Variable short-term incentive ¹	All other compensation ²	Total compensation before LTI	LTI value	Total compensation	Employer social security charges ³	Total compensation including social security charges	Maximum shareholder approval
A. Andreades ⁴ Executive Chairman	2022	688,162	—	165,621	853,782	5,147,319	6,001,101	12,487	6,013,588	
	2021	680,392	670,840	172,658	1,523,890	5,146,979	6,670,869	9,685	6,680,554	
T. de Tersant ⁵ Vice Chairman	2022	195,000	—	—	195,000	—	195,000	15,492	210,492	
	2021	150,000	—	—	150,000	—	150,000	13,426	163,426	
H. Akbari ⁶ Member	2022	185,000	—	10,000	195,000	—	195,000	—	195,000	
	2021	150,000	—	—	150,000	—	150,000	—	150,000	
J. Benson Member	2022	140,000	—	10,000	150,000	—	150,000	—	150,000	
	2021	67,500	—	—	67,500	—	67,500	—	67,500	
M. Carli Member	2022	140,000	—	—	140,000	—	140,000	12,474	152,474	
	2021	108,000	—	—	108,000	—	108,000	9,667	117,667	
I. Cookson ⁷ Member	2022	175,000	—	—	175,000	—	175,000	12,294	187,294	
	2021	108,000	—	—	108,000	—	108,000	7,035	115,035	
E. Hansen Member	2022	152,294	—	—	152,294	—	152,294	—	152,294	
	2021	115,035	—	—	115,035	—	115,035	—	115,035	
P. Spenser Member	2022	140,000	—	10,000	150,000	—	150,000	—	150,000	
	2021	108,000	—	—	108,000	—	108,000	—	108,000	
D. Forster ⁸ Member from 25 May 2022	2022	85,806	—	—	85,806	—	85,806	7,568	93,374	
C. Hultén ⁸ Member from 25 May 2022	2022	85,806	—	—	85,806	—	85,806	7,658	93,374	
Total Board of Directors	2022	1,987,069	—	195,621	2,182,689	5,147,319	7,330,008	67,883	7,397,891	8,200,000
	2021	1,486,927	670,840	172,658	2,330,425	5,146,979	7,477,404	39,813	7,517,217	7,800,000

1 The variable short-term incentive targets were not met and did not pay out in February 2023 as planned.

2 All other compensation includes life, medical, disability, accident insurances, pension and car allowance for Andreas Andreades. Homaira Akbari, Jim Benson and Peter Spenser have an additional fee of USD 10,000 for traveling long-haul.

3 Social security charges comprise actual charges on base salary and other compensation and estimated social security charges to be paid for bonus and LTIs (based on the fair value) granted in the year of compensation.

4 Andreas Andreades' total compensation includes fees of USD 140,000 for his Board duties, the remainder represents compensation for his executive duties. Andreas Andreades' Long Term Incentive Plan compensation corresponds to the full fair value, as at grant, of the 2022 executive team SAR award. The LTI for Andreas Andreades consists of 186,700 SARs which were granted on 15 February 2022 at a grant price of USD 107.65 and a fair value of USD 27.57 per grant. The targets for 2022 were not met.

5 Thibault de Tersant's fees comprise a basic fee of USD 140,000 annually plus USD 55,000 annually for his duties as Chairman of the Audit Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company.

6 Homaira Akbari's fees comprise a basic fee of USD 140,000 annually plus USD 45,000 annually for her duties as Chairperson of the Compensation Committee. It comprises an additional USD 10,000 annually for traveling long haul.

7 Ian Cookson's fees comprise a basic fee of USD 140,000 annually plus USD 35,000 annually for his duties as Chairperson of the Nomination & ESG Committee.

8 For 2022, Debbie Forster and Cecilia Hultén were eligible to 61% of their annual fees.

Corporate Governance

COMPENSATION REPORT continued

D. Compensation for financial year under review – audited continued

D.2. Executive Committee

The total compensation for the members (weighted average during the year of 7.1 members) of the Executive Committee including social security charges totals USD 27.9 million. Shareholders approved USD 40 million at the AGM on 20 May 2021 for eleven members.

The total of all compensation, in US dollars, earned in 2021 and 2022 by the members of the Executive Committee is shown below. The total compensation of USD 27.9 million, includes USD 21 million for LTIs at fair value at time of grant, based on a share price at grant of USD 107.65 for the February grant. To earn this value, the performance criteria must be met and share price must grow to USD 135 by 15 February 2025.

All numbers are gross in USD	Base salary	Variable short-term incentive ¹	All other compensation ²	Total compensation before LTI	LTI value ³	Total compensation	Employer social security charges ⁴	Total compensation including social security charges	Maximum shareholder approval
2022	3,424,082	—	1,525,089	4,949,171	21,000,460	25,949,631	1,986,583	27,936,214	40,000,000
2021	5,372,063	5,628,051	1,155,691	12,155,805	22,796,376	34,952,181	1,986,689	36,938,869	28,400,000 plus supplementary amount of 11,360,000 for new members

1 The variable short-term incentive targets were not met and did not pay out in February 2023.

2 All other compensation includes life, medical, disability, accident insurances, pension and car allowance. It also includes termination benefits and related social charges.

3 The LTI for the Executive Committee consists of 590,000 SARs which were granted on 15 February 2022 at a grant price of USD 107.65 and a fair value of USD 27.57, 60,756 SARs on 1 March 2022 at a grant price of USD 96.4 and a fair value of USD 24.03, 17,850 PSUs granted on 15 February 2022 at a fair value of USD 107.65, 15,560 PSUs granted on 1 March 2022 at a fair value of USD 96.4 and on 1 March 2022, Erich Gerber was granted 51,867 RSUs at fair value of USD 96.40. This was to compensate him for a financial advantage that his previous employer would have awarded him, but which Erich Gerber forewent in order to join Temenos. The targets for the SAR and PSU awards for 2022 were not met.

4 Social security charges comprise actual charges on base salary and other compensation and estimated social security charges to be paid for bonus and LTIPs (based on the fair value) granted in the year of compensation.

Average compensation per member in 2022 was USD 3.9 million, calculated on the basis of a weighted average during the year of 7.1 members (2021: USD 3.6 million, calculated on the basis of a weighted average during the year of 10.4 members). The average compensation per member has mainly increased due to (i) the lower number of members in 2022 and the consequently greater weight of the CEO's compensation compared to the whole compensation of the Executive Committee and (ii) the CRO's higher compensation resulting from the RSU grant referred to in note 3 above.

D.3 CEO and Highest paid member of the Executive Committee

Max Chuard, our CEO in 2022, was the highest paid member of the Executive Committee excluding replacement awards (see below). 89% of his total compensation in 2022 at grant (88% final as below) was variable and conditional upon the 2022-2024 performance targets to be achieved. His compensation, in US dollars, is shown below.

All numbers are gross in USD	Base salary	Variable short-term incentive ¹	All other compensation	Total compensation before LTI	LTI value ²	Total compensation	Employer social security charges	Total compensation including social security charges
2022	827,560	—	94,384	921,944	6,241,848	7,163,792	606,845	7,770,637
2021	864,141	931,544	99,252	1,894,936	6,242,535	8,137,471	701,822	8,839,293

1 The variable short-term incentive targets were not met and did not pay out in February 2023 as planned.

2 The LTI for the CEO consists of 226,400 SARs which were granted on 15 February 2022 at a grant price of USD 107.65 and a fair value of USD 27.57. One third were forfeited based on his pro rata employment period.



The highest paid member of the Executive Committee in 2022 including replacement awards was Erich Gerber, the CRO. His compensation, in US dollars, is shown below.

All numbers are gross in USD	Base salary	Variable short-term incentive ¹	All other compensation ²	Total compensation before LTI	LTI value ³	Total compensation before replacement award	Replacement award ⁴	Employer social security charges	Total compensation including social security charges
2022 CRO	356,892	—	448,293	805,185	2,959,929	3,765,114	5,000,000	710,889	9,476,003

- The variable short-term incentive targets were not met and did not pay out in February 2023 as planned.
- All other compensation is for payments during garden leave.
- The annual LTI award consisted of 60,756 SARs granted on 1 March 2022 at a grant price of USD 96.4 and a fair value of USD 24.03, and 15,560 PSUs granted on 1 March 2022 at a fair value of USD 96.4. 50% of these will be forfeited based on his pro rata employment period. The targets for 2022 for the SAR and PSU awards were not met.
- The replacement award consisted of 51,867 RSUs at fair value of USD 96.40 which was to compensate him for a financial advantage that his previous employer would have awarded him, but which he forewent in order to join Temenos.

D.4. Compensation in CHF

Pursuant to Article 958d alinea 3 of the Swiss Code of Obligations, compensation amounts may be quoted in the most significant currency of the business activity, in Temenos' case it is USD, but must also be quoted in CHF. The amounts quoted below in CHF for the Board of Directors, the Executive Committee and highest paid Executive Committee member respectively are calculated taking the USD amount converted at the average exchange rate for the year. The exchange rate used in 2022 was 0.9546 (2021: 0.9142).

Function CHF	Year	Fixed fee/salary	Variable short-term incentive	All other compensation	Total compensation before LTI	LTI value	Total compensation	Employer social security charges	Total compensation including social security charges
Board of Directors	2022	1,896,883	—	186,742	2,083,625	4,913,702	6,997,327	64,802	7,062,129
	2021	1,359,353	613,284	157,844	2,130,481	4,705,384	6,835,865	36,397	6,872,263

Function CHF	Year	Base salary	Variable short-term incentive	All other compensation	Total compensation before LTI	LTI value	Total compensation	Employer social security charges	Total compensation including social security charges
Executive Committee	2022	3,268,676	—	1,455,871	4,724,547	20,047,330	24,771,877	1,896,420	26,668,297
	2021	4,911,157	5,145,181	1,056,536	11,112,874	20,840,517	31,953,391	1,816,237	33,769,628

Function CHF	Year	Base salary	Variable short-term incentive	All other compensation	Total compensation before LTI	LTI value including replacement award for CRO	Total compensation including replacement award for CRO	Employer social security charges	Total compensation including social security charges
CEO	2022	790,000	—	90,101	880,101	5,958,554	6,838,655	579,303	7,417,958
	2021	790,000	851,620	90,736	1,732,356	5,706,945	7,439,301	641,608	8,080,909
CRO	2022	340,694	—	427,947	768,641	7,598,658	8,367,299	678,624	9,045,923

D.5. Loans granted to members of governing bodies

As of 31 December 2022 the Company has no outstanding loans to members of the Board of Directors and Executive Committee. As of 31 December 2021 the Company had no outstanding loans to members of the Board of Directors and Executive Committee other than a bridging loan of USD 31,629 to CPTO which is to compensate his adverse tax position from his combined residence in both the UK and Switzerland, where he spent time at the request of Temenos. No loans were granted to persons related to the Board of Directors or Executive Committee.

**Corporate Governance**

COMPENSATION REPORT continued

E. The year ahead: compensation of the Board of Directors and Executive Committee for fiscal year 2023

At the AGM in 2022, the shareholders approved total compensation including social charges for year 2023 for the Board of Directors of USD 9.3 million and for the Executive Committee of seven members, USD 30 million.

E.1. Changes that affect 2023 Board of Directors compensation

The Board of Directors consists of the following members as of February 2023:

- Andreas Andreades, Executive Chairman, until 2023 AGM
- Thibault de Tersant, Vice-Chairman
- Homaira Akbari
- James Benson
- Maurizio Carli
- Ian Cookson
- Debbie Forster
- Erik Hansen
- Cecilia Hultén
- Peter Spenser

Andreas Andreades has decided not to stand for re-election as Executive Chairman at the next Annual General Meeting (AGM) in 2023. On 13 January 2023, as a result of Max Chuard's decision to step down from his role as CEO, Andreas Andreades has agreed to serve as acting CEO in addition to his role as Executive Chairman (until 2023 AGM), until a new CEO is appointed. His compensation will be in line with the approvals obtained at the AGM 2022 without any increase for the additional duties.

The Board has proposed Thibault de Tersant, our Vice Chairman, to be elected Non-Executive Chairman of the Board at the next AGM on 3 May 2023. If he is elected as Non-Executive Chairman, his annualized fees will be USD 0.8 million for the remaining period to 31 December 2023. The 2023 Non-Executive Chairman fee was determined using SMIM average for equivalent positions from year 2021 and slightly increased to account that a 2021 benchmark was used for the 2023 fee. The cash fees for the other Board positions will be the same as 2022.

E.2. Changes that affect 2023 Executive Committee compensation

Following Max Chuard's decision to step down from his role as CEO, Andreas Andreades assumed duties as acting CEO in addition to his duties as Executive Chairman as of 13 January 2023. At the AGM 2023 Andreas Andreades will not stand for re-election to the Board and will thereafter only serve as acting CEO until he hands over his role to a new CEO. Prema Varadhan has been promoted on 16 January 2023 to President Product and Chief Operating Officer and Colin Jarrett's new role since 16 January 2023 is Chief Operating Officer Americas.

The Executive Committee, whose remuneration falls under the 2023 Executive Committee compensation, consists of the following members as at February 2023:

- Andreas Andreades, acting Chief Executive Officer
- Panagiotis "Takis" Spiliopoulos, Chief Financial Officer
- Prema Varadhan, President Product and Chief Operating Officer
- Colin Jarrett, Chief Operating Officer Americas
- Jayde Tipper, Chief People Officer

The 2023 Executive Committee compensation also covers the remuneration of former members of the Executive Committee (i.e. Max Chuard, Erich Gerber and Martin Häring) until expiry of their respective notice periods.



E.3. 2023 variable short-term incentive for Executives

For 2023, the performance metrics and weighting have been reviewed and will be revised slightly, as follows:

KPIs for STI 2023	Weighting
ARR (Annual Recurring Revenue) ¹	30%
Non-IFRS Product Revenues ²	30%
Non-IFRS Operating Profit ³	20%
Operating cash flow	20%

1 ACV, as used in 2022, has been replaced with ARR following the Company's move to subscription in 2022. ARR includes subscription, maintenance and SaaS recurring revenues.

2 Non-IFRS Total Software Licensing has been replaced with Non-IFRS Product Revenues to ensure focus is kept on the timing of delivering the metrics during the year, in particular maintenance.

3 Non-IFRS EPS, as used in 2022, has been replaced with Non-IFRS Operating Profit which aligns better with the broader executive team's responsibilities. Non-IFRS EPS continues to be a metric in the LTI plan.

The targets are considered commercially sensitive and are not disclosed in advance. The minimum threshold remains at 90%, where funding will be set at 50%, which is informed by practices at our peers. Maximum performance is set at 125% of target and results in 150% funding. Given the peculiarities of his role of acting CEO, Andreas Andreades will be measured on ARR only (with a weighting of 100%) exceptionally for 2023.

E.4. 2023 Long Term Incentive Plan awards for Executives

The LTI award for 2023 was issued in January 2023 after pre-announcement of the Q4-22 and full year 2022 results. Following extensive shareholder engagement in January and February 2022, the shareholders supported a transition to a mix of different instruments. For 2023, the Board of Directors has elected to grant the members of Executive Committee (excluding the CFO) 35% of 2023 LTI equity in the form of SARs, 35% in the form of PSUs and the remaining 30% in the form of RSUs. The CFO will continue receiving 100% of his LTI equity in the form of SARs. Given the peculiarities of his role of acting CEO, Andreas Andreades has received a special PSU grant based on ARR only, with a vesting period covering his services until a new CEO is appointed.

Both SARs and PSUs for 2023 are subject to the same performance conditions, minimum and maximum performance thresholds, funding schedule and the three-year vesting period, as described below.

The KPIs for fiscal year 2023 for the Executive Committee and senior management are as below:

KPIs for LTI 2023–2025	Weighting
ARR ¹	60%
Non-IFRS EPS	20%
Free cash flow	20%

1 Total Bookings, as used in 2022 plan, has been amended to ARR which is the key metric now shown in our external reporting and aligns with the shift of the model to recurring revenues.

Vesting curve

The vesting curve for all of the above KPI metrics will be as follows:

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

- The sum of the result of each of the individual years, where one-third of the three-year plan is based on achievement of annual results for each year of the three-year plan. There is no overachievement element on the awards linked to annual targets and achievement is binary, either 0 or 100%.
- Cumulative target achievement being greater than 85% of the sum of the annual targets. On the cumulative target the over or underachievement vests as per the chart below.

Achievement as % of Cumulative target	85%	92.5%	100%	110%	120%	137.5%
Proportion vesting	50%	75%	100%	120%	140%	175%

The 2023 LTI plan, the target CAGR growth for ARR is set at 15%, for non-IFRS EPS is set at 12% and for Free cash flow is set at 30%.

Corporate Governance

COMPENSATION REPORT continued

F. Other information

F.1. Shareholdings and equity incentives

Non-Executive Directors

Name	Position	31 December 2022 shares	31 December 2021 shares
T. de Tersant	Vice-Chairman	9,000	3,000
H. Akbari ¹	Member	1,460	100
J. Benson ¹	Member	360	360
M. Carli	Member	1,000	1,000
I. Cookson	Member	17,400	16,000
E. Hansen	Member	2,500	2,500
P. Spenser ¹	Member	1,800	950
D. Forster	Member	—	n/a
C. Hultén	Member	—	n/a

¹ Homaira Akbari, Peter Spenser and Jim Benson held shares in the form of American depository receipts (ADRs).

Executive Chairman and Executive Committee members

Name	Position as at 31 December 2022 (or at date of leaving Executive Committee if earlier)	As at 31 December			
		Number of shares 2022	Number of unvested RSUs/PSUs 2022	Number of shares 2021	Number of unvested RSUs 2021
A. Andreades	Executive Chairman	846,752	—	796,752	—
M. Chuard	CEO	75,000	8,284 ¹	75,000	3,636 ¹
P. Spiliopoulos	CFO	—	—	—	—
P. Varadhan	CPTO	1,448	5,319 ²	n/a	n/a
J. Tipper	CPO	—	3,082 ³	n/a	n/a
C. Jarrett	CCDO	2,138	4,650	2,138	—
M. Häring	CMO	n/a	n/a	—	—
M. Winterburn	CPTO	n/a	n/a	3,975	—
A. Guenoun	COO	n/a	n/a	1,368	—
P. Barnett	President of Strategic Growth	n/a	n/a	3,000	—
D. Dempsey	CLO	n/a	n/a	2,086	1,138
J.P. Mergeai	President International Sales	n/a	n/a	7,898	—
J. White	President of the Americas	n/a	n/a	—	—

- 1 Max Chuard received 3,636 shares for the 2021 STI scheme. Of those, 3,552 were realized based on achievement of KPIs. They vested on 1 March 2023. Max Chuard received 4,732 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.
- 2 Prema Varadhan received 1,369 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.
- 3 Jayde Tipper received 782 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.



Name	Position as at 31 December 2022 (or at date of leaving Executive Committee if earlier)	Grant year	Plan	Exercise price USD	Number of vested SARs	Number of unvested SARs	Number of vested SARs	Number of unvested SARs
					31 December 2022	31 December 2022	31 December 2021	31 December 2021
A. Andreades	Executive Chairman	2018	2018 scheme	127.00	135,203	—	135,203	—
		2019	2019 scheme ¹	136.94	83,160	—	—	138,600
		2020	2020 scheme ²	168.81	—	131,800	—	131,800
		2021	2021 scheme	143.54	—	144,700	—	144,700
		2022	2022 scheme	107.65	—	186,700	—	—
M. Chuard	CEO	2018	2018 scheme	127.00	117,793	—	117,793	—
		2019	2019 scheme ¹	136.94	100,851	—	—	168,085
		2020	2020 scheme ²	168.81	—	159,850	—	159,850
		2021	2021 scheme	143.54	—	175,500	—	175,500
		2022	2022 scheme	107.65	—	226,400	—	—
P. Spiliopoulos	CFO	2019	2019 scheme ¹	147.43	42,000	—	—	70,000
		2020	2020 scheme ²	168.81	—	72,000	—	72,000
		2021	2021 scheme	143.54	—	79,000	—	79,000
		2022	2022 scheme	107.65	—	107,100	—	—
C. Jarrett ³	CCDO	2020	2020 scheme ²	168.81	—	25,000	—	25,000
		2021	2021 scheme	143.54	—	15,000	—	15,000
		2022	2022 scheme	107.65	—	18,150	—	—
P. Varadhan ³	CPTO	2022	2022 scheme	107.65	—	15,400	n/a	n/a
J. Tipper ³	CPO	2022	2022 scheme	107.65	—	9,050	n/a	n/a
P. Barnett ³	President Strategic Growth	2021	2021 scheme	143.54	n/a	n/a	—	15,000
D. Dempsey ³	CLO	2021	2021 scheme	143.54	n/a	n/a	—	15,000
A. Guenoun ³	COO	2019	2019 scheme ¹	136.94	n/a	n/a	—	37,000
		2020	2020 scheme ²	168.81	n/a	n/a	—	50,000
		2021	2021 scheme	143.54	n/a	n/a	—	79,800
M. Häring	CMO	2021	2021 scheme	160.20	n/a	n/a	—	37,500
		2022	2022 scheme	107.65	n/a	n/a	—	—
J.P. Mergeai ³	President International Sales	2021	2021 scheme	143.54	n/a	n/a	—	53,000
				156.81	n/a	n/a	—	5,000
J. White	President of the Americas	2021	2021 scheme	143.54	n/a	n/a	—	43,100
M. Winterburn	CPTO	2018	2018 scheme	127.00	n/a	n/a	30,000	—
		2019	2019 scheme ¹	136.94	n/a	n/a	—	41,000
		2020	2020 scheme ²	168.81	n/a	n/a	—	55,000
		2021	2021 scheme	143.54	n/a	n/a	—	55,000

1 The SARs granted under the 2019 scheme vested on 14 February 2022. The final vesting was at 60%. The numbers above were reduced by 40% in 2022.

2 The SARs granted under the 2020 scheme vested on 20 February 2023. The final vesting was at 46.67%. The numbers above will be reduced by 53.33% in 2023.

3 The SARs shown above only include SARs granted during their membership of the Executive Committee.

No options and/or shares were held on 31 December 2022 and 2021 by persons related to the members of the Board of Directors or the Executive Committee.

n/a is noted where the member is not a member at the respective 31 December, hence status not disclosed.



Corporate Governance

COMPENSATION REPORT continued

F. Other information continued

F.2. Options and SARs outstanding

The following table lists all options and SARs outstanding as at 31 December 2022. This includes the SARs outstanding for the Executive Chairman and Executive Committee members shown in the tables on page 183 and all other staff eligible for options and SARs.

Grant year	Plan	Exercise price USD ¹	Total number of outstanding LTI instruments	Number of unvested SARs ²	Number of vested SARs	Number of RSUs/PSUs
2013	2013	15.83	15,210		15,210	
2013	2013	18.01	26,426		26,426	
2014	2015	35.45	41,438		41,438	
2014	2015	35.15	26,585		26,585	
2016	2016	43.69	52,622		52,622	
2016	2016	57.07	55,541		55,541	
2016	2016	65.92	3,634		3,634	
2017	2017	70.87	118,964		118,964	
2017	2017	80.86	2,394		2,394	
2018	2018	127.00	450,895		450,895	
2018	2018	127.68	1,305		1,305	
2018	2018	164.00	4,349		4,349	
2018	2018	138.63	868		868	
2018	2019	113.64	4,000		4,000	
2019	2019	136.94	40,000		40,000	
2019	2019	136.94	418,191		418,191	
2019	2019	144.09	6,200		6,200	
2019	2019	146.46	600		600	
2019	2019	147.43	42,000		42,000	
2019	2019	149.37	2,400		2,400	
2019	2019	164.57	1,200		1,200	
2019	2019	160.90	4,500		4,500	
2019	2020	144.77	27,000	27,000		
2019	2019	151.75	1,200		1,200	
2020	2020	153.57	1,000	1,000		
2020	2020	168.81	623,883	623,883		
2020	2020	168.81	22,000	22,000		
2020	2020	143.97	2,000	2,000		
2020	2020	115.91	4,000	4,000		
2020	2020	115.91	40,000	40,000		
2020	2020	124.50	19,785	19,785		
2020	2020	142.68	1,000	1,000		
2020	2020	135.00	29,500	29,500		
2020	2020	160.35	500	500		
2020	2020	129.36	15,000	15,000		



Grant year	Plan	Exercise price USD ¹	Total number of outstanding LTI instruments	Number of unvested SARs ²	Number of vested SARs	Number of RSUs/PSUs
2020	2020	134.69	2,500	2,500		
2021	2021	143.54	885,680	885,680		
2021	2021	143.54	22,000	22,000		
2021	2021	142.11	6,000	6,000		
2021	2021	163.70	1,000	1,000		
2021	2021	156.81	13,000	13,000		
2021	2021	156.81	44,000	44,000		
2021	2021	160.20	37,500	37,500		
2021	2021	157.66	1,000	1,000		
2021	2021	157.69	5,000	5,000		
2021	2021	158.87	4,000	4,000		
2021	2021	144.36	3,500	3,500		
2021	2021	136.61	5,500	5,500		
2021	2021	137.36	1,000	1,000		
2021	2021	147.34	2,000	2,000		
2021	2021	126.97	2,000	2,000		
2021	2021	—	5,396			5,396
2022	2021	—	52,643			52,643
2021	2021	—	171,873			171,873
2022	2022	107.65	843,450	843,450		
2022	2022	96.40	91,134	91,134		
2022	2022	96.00	8,650	8,650		
2022	2022	94.72	26,850	26,850		
2022	2022	84.95	9,064	9,064		
2022	2022	75.84	8,538	8,538		
2022	2022	54.90	490,000	490,000		
2022	2022	—	259,263			259,263
2022	2022	—	9,049			9,049
2022	2022	—	123,998			123,998
			5,241,778	3,299,034	1,320,522	622,222

1 The weighted average exercise price is USD 106.08.

2 The SARs from the 2020 plan vested on 20 February 2023 at 47.67% achievement, the numbers will be reduced by 53.33% in 2023.



Report of the statutory auditor

to the General Meeting of Temenos AG

Geneva

We have audited page 176 to 179 of the accompanying compensation report of Temenos AG for the year ended 31 December 2022.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Temenos AG for the year ended 31 December 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Yazen Jamjum
Audit expert
Auditor in charge

Hamza Benhlal

Geneva, 28 March 2023

Enclosure:

- Compensation report

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Report of the statutory auditor

to the General Meeting of Temenos AG

Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Temenos AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss and the consolidated statement of other comprehensive income for the year ended 31 December 2022, and the consolidated statement of financial position as at 31 December 2022, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 9'000'000

The group audit team performed the audit over selected financial statement line items such as revenue, trade receivables, contract assets and contract liabilities, cash balances, capitalized development costs and property, plant and equipment in addition to auditing the consolidation which includes pension and share based compensation. We performed audit of selected financial statement line items on twelve entities located in eight different countries.

Our audit scope addressed all of the Group's revenue, approximately 99% of the Group's total assets and approximately 87% of the Group's total expenses.

As key audit matters the following areas of focus have been identified:

- Subscription and Term license revenue recognition
- Recoverability of trade receivables and contract assets

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Financial Statements**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 9'000'000
Benchmark applied	Three-year average profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the relevant benchmark because, in our view, it is the measure against which the performance of the Group is the most commonly assessed and is a generally accepted benchmark. We used a three-year average to address the impact of the volatility in the benchmark applied.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed the audit over selected financial statement line items such as revenue, trade receivables, contract assets and contract liabilities, cash balances, capitalized development costs and property, plant and equipment, in addition to auditing the consolidation, which includes pension and share based compensation. We also considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Furthermore, we performed audit of selected financial statement line items on twelve entities located in eight different countries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Subscription and Term license revenue recognition

Key audit matter	How our audit addressed the key audit matter
For the year ended 31 December 2022, revenue from Subscription was USD 105.7 million and revenue from Term license was USD 135.4 million (together referred to thereafter as "license revenue").	Firstly, we evaluated the compliance of Temenos's accounting policies with IFRS 15 key considerations.



We focused on license revenue because of its significance and the risks related to the numerous inherent complexities and critical judgements involved in the measurement, timing and presentation of revenues from multi-element contracts found in the software industry.

Transactions with customers often are multiple element arrangements that typically include license, implementation and/or development services and maintenance elements. The identification and the allocation of the transaction price to the different performance obligations require management to use significant estimates in relation to the determination of the standalone selling price of each component. In addition, there are critical judgements in determining whether existing uncertainties and contingencies preclude license revenue from being recognised.

In addition, reseller and partner deals may add further complexities with respect to the nature of the licensing right, ability and intent to pay, and measurement of the transaction price.

There is a risk that license revenue is overstated or recognised prematurely due to either the inappropriate assessment of the risks and uncertainties involved and/or inappropriate allocation between the various components.

There is also a risk that judgements or estimates in relation to license revenue are not free from bias or that license revenue booked is manipulated to achieve financial targets. Refer to note 2.17 (accounting policies) and note 4 (critical accounting estimates and judgements) of the consolidated financial statements.

For all license deals that we considered to be individually significant and for a sample of the remaining licensing arrangements, we performed the following:

- Inspected the existence of a signed version of the customer contract together with evidence of software delivery.
- Assessed whether the license deal meets the definition of subscription or term license according to the definition in note 2.17.
- Reviewed the contracts and assessed potential impact of any unusual clause on revenue recognition. When necessary we also discussed with internal legal counsel their interpretation of certain contractual terms to assess their impact on revenue recognition.
- Reviewed and evaluated the fair value allocations between the various performance obligations identified in accordance with Temenos's revenue recognition policy and IFRS 15.
- With respect to reseller and partner deals, we also reviewed the commercial nature of the licensing right and agreed it to the contract terms, assessed the customers intent and ability to pay and verified that the transaction price reflects the requirement of IFRS 15.

We also performed cut-off testing procedures to ensure that revenue is recognised in the correct reporting period by reference to the contract and evidence of delivery.

In addition, we looked for evidence to validate the authenticity of a sample of customer contracts.

We presented the results of our testing to the Audit Committee and highlighted deals involving significant judgements and estimates together with our view on those judgements and estimates made.

Based on the work performed, we concluded that the critical judgements and estimates made by management were reasonable and the accounting for license revenue appropriate.

Recoverability of account receivables and contract assets

Key audit matter

As at 31 December 2022, trade receivables and contract assets amounted to USD 280.6 million and USD 60.1 million, respectively.

How our audit addressed the key audit matter

We reviewed management's analysis for all projects with potential exposure at risk. This analysis includes background information of the customer, existing contractual relationships, balance outstanding, delays in



**Financial Statements**

We focused on this risk as the balances are material and there are many significant judgements involved in assessing recoverability of trade receivables and contract assets in the software industry. This is especially the case as some of these balances could be significant or overdue.

There are many factors that need to be considered when concluding that a balance needs to be impaired including default or delinquency in payments, length of the outstanding balances and implementation difficulties that could result in future concessions. In addition, some of the customers might also be undergoing restructuring, a change in strategy or management, or facing liquidity issues that undermine their intent or ability to pay the amounts due.

Given the complexity, the size and the length of certain implementation projects, there is risk that an impairment charge or a revenue reversal is not recognised timely and/or accurately.

Refer to note 2.5 (accounting policies) and note 14 (trade and other receivables) of the consolidated financial statements.

collection, and operational issues together with a detailed legal analysis, where required.

In addition, we challenged management's assessment of the recoverability of selected trade receivables and contract assets balances (significant and randomly selected). When deemed necessary, we also discussed certain potential exposures with the internal legal counsel and agreed it to available confirmations from external lawyers.

We evaluated management's assessment of whether the resulting impact of the recoverability of the receivable is a result of a credit default and therefore bad debt expense or alternatively a concession, in the form of variable consideration, that reduces revenue under IFRS 15.

We confirmed selected material customer balances to verify their intention to settle the outstanding balances in the future. We also reviewed the aging of trade receivables and obtained external market evidence confirming the lack of significant doubt about the financial stability for selected customers.

We presented the results of our procedures to the Audit Committee.

The level of the provision made against trade receivables and contract assets was deemed appropriate and corresponds to the risks identified.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon. The other information in the annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Financial Statements****Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Yazen Jamjum
Licensed audit expert
Auditor in charge

Hamza Benhlal

Geneva, 23 February 2023

Enclosure:

- Consolidated financial statements (consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	2022 USD 000	Re-presented* 2021 USD 000
Revenues		
Subscription	105,703	14,410
Term license	135,372	277,785
SaaS	163,745	123,718
Total software licensing	404,820	415,913
Maintenance	401,946	395,072
Services	142,862	156,017
Total revenues (note 7)	949,628	967,002
Operating expenses		
Cost of sales	(318,425)	(325,478)
Sales and marketing	(202,765)	(163,923)
General and administrative	(86,814)	(89,758)
Other operating expenses	(178,239)	(149,759)
Total operating expenses (note 9)	(786,243)	(728,918)
Operating profit	163,385	238,084
Finance income	17,790	4,903
Finance costs	(35,212)	(31,471)
Finance costs – net (note 11)	(17,422)	(26,568)
Profit before taxation	145,963	211,516
Taxation (note 21)	(31,543)	(38,146)
Profit for the year	114,420	173,370
Attributable to:		
Equity holders of the Company	114,420	173,370
Earnings per share (in USD) (note 12):		
Basic	1.60	2.42
Diluted	1.59	2.40

* Effective 1 January 2022, presentation of Software licensing is split into either Subscription or Term license, depending on the nature of the contract and according to the definition in note 2.17. Comparative periods have been re-presented accordingly.

Notes on pages 198 to 248 are an integral part of these consolidated financial statements.



Financial Statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2022 USD 000	2021 USD 000
Profit for the year	114,420	173,370
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment defined benefit obligations (note 23)	1,941	(2,084)
	1,941	(2,084)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge reserve (note 26)	10,308	6,708
Cost of hedging reserve (note 26)	(460)	76
Gain on net investment hedge (note 26)	10,013	779
Currency translation differences (note 26)	(29,120)	(1,973)
	(9,259)	5,590
Other comprehensive (loss)/income for the year	(7,318)	3,506
Total comprehensive income for the year	107,102	176,876
Attributable to:		
Equity holders of the Company	107,102	176,876

Notes on pages 198 to 248 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2022 USD 000	2021 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 13)	89,923	139,322
Trade and other receivables (note 14)	313,473	332,478
Other financial assets (note 15)	35,112	6,756
Total current assets	438,508	478,556
Non-current assets		
Property, plant and equipment (note 16)	63,102	59,415
Intangible assets (note 17)	1,538,750	1,597,110
Trade and other receivables (note 14)	104,410	53,876
Other financial assets (note 15)	42,850	21,999
Deferred tax assets (note 21)	44,195	23,128
Total non-current assets	1,793,307	1,755,528
Total assets	2,231,815	2,234,084
Liabilities and equity		
Current liabilities		
Trade and other payables (note 18)	171,886	187,870
Other financial liabilities (note 15)	8,293	2,661
Deferred revenue (note 8)	411,060	371,613
Income tax liabilities	121,031	98,274
Borrowings (note 19)	204,137	211,009
Provisions for other liabilities and charges (note 22)	3,085	1,399
Total current liabilities	919,492	872,826
Non-current liabilities		
Other financial liabilities (note 15)	1,578	179
Deferred revenue (note 8)	12,657	26,117
Borrowings (note 19)	636,666	748,849
Provisions for other liabilities and charges (note 22)	1,168	1,098
Deferred tax liabilities (note 21)	94,993	96,405
Retirement benefit obligations (note 23)	12,217	13,822
Total non-current liabilities	759,279	886,470
Total liabilities	1,678,771	1,759,296
Shareholders' equity		
Share capital	253,466	252,467
Treasury shares	(464,778)	(464,778)
Share premium and other reserves (note 25)	(166,637)	(218,330)
Other equity (note 26)	(192,265)	(175,387)
Retained earnings	1,123,258	1,080,816
Total equity	553,044	474,788
Total liabilities and equity	2,231,815	2,234,084

Notes on pages 198 to 248 are an integral part of these consolidated financial statements.

Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2022 USD 000	2021 USD 000
Cash flows from operating activities		
Profit before taxation	145,963	211,516
Adjustments:		
Property, plant and equipment depreciation, intangible asset amortization and impairment of intangible and financial assets	141,790	151,955
Loss on retirement/disposal of property, plant and equipment	160	65
Cost of share options (note 27)	52,701	44,855
Foreign exchange (gain)/loss on non-operating activities	(8,877)	2,564
Interest expenses, net (note 11)	18,931	20,343
Net loss/(gain) on derivatives not designated as hedging instruments and movement in fair value from financial instruments (note 11)	36	(3,733)
Other finance costs	4,185	5,060
Other non-cash items	2,722	2,065
Changes in:		
Trade and other receivables	(58,753)	(59,638)
Trade and other payables, provisions and retirement benefit obligations	(16,062)	48,611
Deferred revenues	33,829	49,300
Cash generated from operations	316,625	472,963
Income taxes paid	(18,718)	(12,834)
Net cash generated from operating activities	297,907	460,129
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,360)	(8,157)
Disposal of property, plant and equipment	77	44
Purchase of intangible assets	(2,331)	(3,434)
Capitalized development costs (note 17)	(86,341)	(90,527)
Earn out/deferred consideration settlement related to acquisitions	(1,000)	(1,670)
Investments for long-term loans/debt instruments	(25,778)	(19,900)
Settlement of financial instruments	(5,775)	(8,129)
Interest received	384	247
Net cash used in investing activities	(137,124)	(131,526)
Cash flows from financing activities		
Dividend paid (note 28)	(74,405)	(71,427)
Acquisition of treasury shares	—	(200,170)
Proceeds from borrowings	405,294	342,902
Repayments of borrowings	(321,902)	(327,000)
Repayment of bond	(180,723)	—
Payment of lease liabilities (note 13)	(15,992)	(16,743)
Interest payments	(22,581)	(19,680)
Settlement of financial instruments	6,104	—
Payment of other financing costs	(3,767)	(3,847)
Net cash used in financing activities	(207,972)	(295,965)
Effect of exchange rate changes	(2,210)	(3,511)
Net (decrease)/increase in cash and cash equivalents in the year	(49,399)	29,127
Cash and cash equivalents at the beginning of the year	139,322	110,195
Cash and cash equivalents at the end of the year	89,923	139,322

Notes on pages 198 to 248 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital USD 000	Treasury shares USD 000	Share premium and other reserves (note 25) USD 000	Other equity (note 26) USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 2021	249,535	(264,608)	(259,823)	(179,851)	978,152	523,405
Profit for the year	—	—	—	—	173,370	173,370
Other comprehensive income for the year, net of tax	—	—	—	5,590	(2,084)	3,506
Total comprehensive income	—	—	—	5,590	171,286	176,876
Dividend paid (note 28)	—	—	—	—	(71,427)	(71,427)
Hedging gain transferred to deferred revenues (note 26)	—	—	—	(1,126)	—	(1,126)
Cost of share options (note 27)	—	—	44,855	—	—	44,855
Exercise of share-based payment transactions (note 25)	2,932	—	(2,932)	—	—	—
Tax impact on share-based payments	—	—	—	—	2,805	2,805
Acquisition of treasury shares	—	(200,170)	—	—	—	(200,170)
Costs associated with equity transactions	—	—	(430)	—	—	(430)
	2,932	(200,170)	41,493	4,464	102,664	(48,617)
Balance at 31 December 2021	252,467	(464,778)	(218,330)	(175,387)	1,080,816	474,788
Profit for the year	—	—	—	—	114,420	114,420
Other comprehensive income for the year, net of tax	—	—	—	(9,259)	1,941	(7,318)
Total comprehensive income	—	—	—	(9,259)	116,361	107,102
Dividend paid (note 28)	—	—	—	—	(74,405)	(74,405)
Hedging gain transferred to deferred revenues (note 26)	—	—	—	(7,619)	—	(7,619)
Cost of share options (note 27)	—	—	52,701	—	—	52,701
Exercise of share-based payment transactions (note 25)	999	—	(999)	—	—	—
Tax impact on share-based payments	—	—	—	—	486	486
Acquisition of treasury shares	—	—	—	—	—	—
Costs associated with equity transactions	—	—	(9)	—	—	(9)
	999	—	51,693	(16,878)	42,442	78,256
Balance at 31 December 2022	253,466	(464,778)	(166,637)	(192,265)	1,123,258	553,044

Notes on pages 198 to 248 are an integral part of these consolidated financial statements.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. General information

Temenos AG (the "Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001, the shares of Temenos AG have been publicly traded on the SIX Swiss Exchange. The registered office is located at 2 Rue de L'Ecole-de-Chimie, 1205 Geneva, Switzerland.

The Company and its subsidiaries (the "Temenos Group" or the "Group") are engaged in the development, marketing and sale of integrated banking software systems. The Group is also involved in supporting the implementation of the systems at various customer locations around the world and the implementation and running of systems in cloud environments, as well as in offering helpdesk support services to existing users of Temenos software systems. The customer base consists of mostly banking and other financial services institutions.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 February 2023.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except where IFRS explicitly requires use of other measurement principles.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations relevant to the Group's operation and adopted by the Group as at 1 January 2022

Amendments to IFRS 3 'Business Combinations', effective for annual reporting periods beginning on or after 1 January 2022. The amendment adds an exception in IFRS 3 for liabilities and contingent liabilities. Without this new exception, an entity would have to recognize some liabilities from a business combination that it would have immediately derecognized. The Group will apply this amendment to any future acquisitions.

Amendments to IAS 16 'Property, Plant and Equipment', effective for annual reporting periods beginning on or after 1 January 2022. The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The adoption of this amendment has not had any significant impact on the Group's financial statements.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', effective for annual reporting periods beginning on or after 1 January 2022. The amendment specifies which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The adoption of this amendment has not had any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 Cycle introduces minor amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IAS 41 'Agriculture' and the illustrative examples accompanying IFRS 16 'Leases'. These amendments have not had any significant impact on the Group's financial statements.

Standards, amendments and interpretations relevant to the Group's operation that are not yet effective

The following amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- Amendments to IAS 1 'Presentation of Financial Statements', effective for accounting periods beginning on or after 1 January 2023. The amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. They also make clear that companies must disclose all material accounting policy information, whereas previously the standard referred to significant accounting policies.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', effective for accounting periods beginning on or after 1 January 2023. The amendment clarifies how to distinguish between changes in accounting policies and accounting estimates.
- Amendments to IAS 12 'Income Taxes', effective for accounting periods beginning on or after 1 January 2023. The amendment requires the recognition of deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.



2. Accounting policies continued

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company as well as its subsidiaries.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognized in profit or loss in accordance with IFRS 9 'Financial Instruments'. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars, which is the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Swiss francs.

Transactions in foreign currencies are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. When the Group pays or receives consideration in advance, the date of the transaction is the date when the consideration is realized.

Foreign exchange differences arising from the settlement or from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

The financial statements of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) with a different functional currency than the presentation currency are translated as follows:

- assets and liabilities are translated using the closing rate at the date of the reporting date;
- income and expenses for each statement presenting profit or loss and other comprehensive income are translated on a monthly basis at the average exchange rates of the month (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- equity items are translated at the historical rates; and
- all resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in profit or loss as part of the gain or loss on sale.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

2. Accounting policies continued

2.3 Foreign currency continued

Gains or losses resulting from long-term intragroup balances for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a net investment in foreign operations (i.e. quasi-equity loans). The gains or losses recognized in the separate financial statements of the subsidiary are reclassified as cumulative translation adjustment to other comprehensive income in the Group's consolidated financial statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity. They are recognized in the functional currency of the acquired entity and translated to the presentation currency using the closing rate.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts, time deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to negligible risks of change in value.

As the Group's objective and business model are to hold this asset to collect the contractual cash flows, cash and cash equivalents are carried at amortized cost.

Cash that does not meet the definition of 'cash and cash equivalents' as per IAS 7 'Statement of Cash flows' is reclassified to other receivables and subject to impairment review in accordance with IFRS 9.

2.5 Trade and other receivables

Trade receivables and contract assets

Trade receivables are recognized initially at the transaction price or at fair value if they contain significant financing components. They are subsequently measured at amortized cost using the effective interest method as the Group's objective and business model are to hold this asset to collect the contractual cash flows.

Contract assets represent consideration which is conditional upon factors other than passage of time.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses the lifetime expected credit loss allowance for all trade receivables including trade receivables with significant financing components and contract assets. The Group exercises judgment in determining the expected credit loss allowance. In this judgment, the Group identifies the default rate by analyzing historical experience with credit losses, considering it to represent a reasonable approximation for future expected defaults, and applies to current receivables. The Group also takes into consideration forward-looking factors, including changes in the overall economic environment or changes in regulation, and if material, reflects these in the expected credit loss allowance.

A credit impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization.

The carrying amount of the asset is either reduced through the use of an allowance account or directly written off when there is no expectation of future recovery. The expense from the expected credit loss allowance as well as from credit impaired debtors is recognized in the profit or loss within "Sales and marketing". Subsequent recoveries are credited in the same account previously used to recognize the impairment charge.

Non-current trade receivables represent balances to be recovered after 12 months.

Other receivables

Other receivables include other receivables (financial assets) and other assets (non-financial assets).

Other receivables (financial assets) represent receivables raised from transactions outside the ordinary activities of the Group.

As the Group's objective and business model are to hold this type of asset to collect the contractual cash flows, they are initially measured at fair value and subsequently measured at amortized cost. Interest income, foreign exchange gain or loss and impairment are recognized in the Profit or loss within "Finance costs – net".

When the impact of applying the effective interest method is not significant, the gross carrying amount equals the contractual amount or the fair value at initial recognition.

Balances to be collected after 12 months after the reporting period are presented as non-current.

The Group applies the same impairment policy that is used to measure the expected credit loss for its trade receivables.

Other assets (non-financial assets) primarily represent prepayments and contract costs according to IFRS 15. Contract costs expected to be recognized in profit or loss after more than 12 months, are reported as non-current assets. All other amounts are reported as current assets.



2. Accounting policies continued

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows (in years):

Buildings	50
Furniture and fixtures	10
Office equipment	5
IT equipment	4
Vehicles	4

Leasehold improvements are depreciated over the shorter of the remaining lease term and useful life (ten years).

Asset residual values and useful lives are reviewed and adjusted if necessary at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance costs are charged to profit or loss as incurred.

Gains or losses on disposals are determined by comparing the consideration received or receivable with the carrying amount and are recognized within "General and administrative" in the profit or loss unless otherwise specified.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount is allocated to the cash-generating unit (CGU) that is expected to benefit from the synergies of the business combination. The CGU to which the goodwill is allocated to represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to goodwill is recognized immediately as an expense and is not subsequently reversed.

Computer software

Software licenses separately acquired are capitalized when the Group can demonstrate that:

- it controls the asset;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be reliably measured.

The cost of the asset comprises its purchase price (including non-refundable purchase taxes) and any directly attributable costs of preparing the asset for its intended use. The cost of the asset is amortized using the straight-line method over its estimated useful life.

Computer software separately acquired is amortized over the shorter of the license term and four years, except for software considered to be a significant technology which is amortized over seven years.

Software technologies acquired through business combinations are initially measured at fair value and then amortized using the straight-line method over their estimated useful lives. Currently reported technologies acquired through business combination have useful lives between five and eight years.

Customer-related intangible asset

Customer-related intangible assets are assets acquired through business combinations. They are initially measured at fair value and then amortized using the straight-line method over their estimated useful lives. The assessment of useful life is set out at the time of acquisition, specific for each acquisition. Currently reported customer-related intangible assets are amortized over a period between five and sixteen years.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

2. Accounting policies continued

2.7 Intangible assets continued

Internally-generated software development

The Group follows a strategy of investing a substantial part of its revenue in research and development which is directed towards the enhancement of its product platforms.

The costs associated with the development of new or substantially improved products or modules are capitalized when the following criteria are met:

- technical feasibility to complete the development;
- management intent and ability to complete the product and use or sell it;
- the likelihood of success is probable;
- availability of technical and financial resources to complete the development phase;
- costs can be reliably measured; and
- probable future economic benefits can be demonstrated.

Directly attributable development costs that are capitalized include employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognized as an expense when incurred.

Internally generated software development costs are amortized using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortized over a five-year period and development costs related to functional developments are amortized over a three-year period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Taxation

The tax expense for the period comprises current and deferred tax. Current income tax and deferred income tax is recognized under IAS 12 'Income Tax' and IFRIC 23 'Uncertainty over income tax treatments'.

Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in Other comprehensive income or directly in equity. In this case, the tax is also recognized in Other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken or expected to be taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation or uncertainty. It establishes provisions for uncertain tax positions where appropriate on the basis of amounts expected to be paid to the tax authorities, taking into account any discussions with these authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group incurs withholding tax in various jurisdictions. An assessment is made to assess the ability to recover these withholding taxes against the normal tax liabilities occurring within the Group and a provision is made to the extent that withholding tax is not recoverable.



2. Accounting policies continued

2.10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

When the effect of the time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense within "Finance costs".

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to those affected by it.

2.11 Borrowings

Bonds are initially recognized at fair value, net of transaction costs incurred, and they are subsequently measured at amortized cost. Effective interest costs are recognized within "Finance costs" in the profit or loss over the period of the relevant instrument.

Fees directly attributable to the establishment of a financing facility are recognized as a prepayment for liquidity services and they are subsequently amortized within "Finance costs" over the life of the instrument.

Accrued interest for loans under a revolving facility and accrued commitment fees for the unutilized portion of credit facility are reported as other payables within trade and other payables in the statement of financial position and within "Finance costs" in the statement of profit or loss.

Roll-over of a loan under the same revolving facility agreement is reported net in the statement of cash flows.

Borrowings are classified as non-current liabilities unless the Group does not have the right at the end of the period to defer the settlement for at least 12 months after the reporting period.

2.12 Leases

Identification of a lease

The Group assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To apply this definition the Group assesses whether the contract meets these evaluations:

- the contract contains an identified asset that is either explicitly specified or implicitly specified at the time that the asset is made available for use by the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the Group has the right to direct the use of the identified asset throughout the period of use or the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions.

The Group has elected to separate the non-lease components and they are accounted as an expense in the profit or loss.

If the Group acts as an intermediate lessor, it classifies the sub-lease either as operating or a finance lease based on the lease term and the right-of-use-asset being sub-leased. If the sub-lease is classified as a finance lease the future discounted cash flow is recognized as a receivable with a corresponding decrease in the right-of-use asset.

Recognition and measurement of a lease

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group uses the incremental borrowing rate which consists of the risk-free rate of currency of the lease plus the premium arising from the Group's credit risk. Lease payments included in the measurement comprise of fixed payments, variable lease payments that depend on an index or a rate and amounts to be paid under a residual value guarantee (if any).

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to restore the asset to the condition required at the end of the lease and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis over the lease term.

The lease term determined at the commencement of lease represents the non-cancellable period of a lease and includes the period covered by an option to extend or option to terminate, where exercising such option is reasonably certain.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

2. Accounting policies continued

2.12 Leases continued

Leases of low value and short term

Short-term leases are leases with a lease term of 12 months or less. The Group defines assets with an estimated market value of USD 5 thousand when new as low-value assets. The payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term and treated as an outflow from operating activities in the statement of cash flows.

Remeasurement of a lease

The lease liability and right-of-use assets initially recognized are remeasured on occurrence of the below events:

- change in lease term (renewal or termination options taken into consideration) – remeasured using discount rate at the time of remeasurement; and
- change in index rate affecting future lease payments – discount rate is unchanged (initial recognition).

In May 2020, the IASB issued Covid-19-Related Rent Concessions (amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permitted a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that made this election accounted for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The Group exercised the option of early adoption and applied the amendment for financial reporting for periods commencing from 1 January 2020. The Group applied the practical expedient retrospectively to all rent concessions that meet the conditions of the amendment. The Group continued to apply the practical expedient during the years ended 31 December 2021 and 31 December 2022 following the IASB amendment to extend the effective period to 30 June 2022.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are reported as a reduction of the share premium (note 25).

Where any subsidiary of the Group purchases the Company's shares (treasury shares), the consideration paid (including any directly attributable incremental costs) is presented as a deduction from equity. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is recognized as an increase in equity and the resulting gains or losses are presented within share premium (note 25).

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The related interest expense is recognized in profit or loss within "Finance costs".

2.15 Employee share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of employee services received in exchange for the grant of the instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- including any market performance conditions; and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the instruments are exercised, the Group issues new shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.



2. Accounting policies continued

2.16 Employee benefits

Pension obligations

The Group operates various pension schemes including both defined benefit and defined contribution plans.

Defined contribution plan is a scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to the employee's service in the current and prior periods. The relevant contributions are recognized as personnel costs when they are due. On realization of the liability, the Group has no further payment obligations. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan is a pension scheme that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability/asset recognized in respect of such plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of any plan assets. The defined benefit obligations are calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. For currencies where there is no deep market in such high-quality corporate bonds, the market yields on government bonds that are consistent with the currency and the estimated terms of the post-employment benefit obligations shall be used.

When a surplus in a plan exists, the Group measures the net benefit asset at the lower of the surplus and the present value of the future economic benefits available to the Group in the form of a reduction in future contributions or a cash refund.

Actuarial gains and losses arising from experience and demographic adjustments as well as changes in financial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of these benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17 Revenue recognition

The Group derives revenue from the following key sources:

Software license

Software license revenue represents all fees earned from granting customers a right-to-use license of the Group's software, either through an initial license or through the purchase of additional modules or user rights. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized at a point-in-time when the software is made available to the customer and the performance obligation is satisfied.

Software license revenue includes software sold either on a term basis, perpetual basis, or a subscription basis. Software developments are included within this revenue line and are recognized when they meet the same criteria as the licensed software.

In 2022, the Group commenced selling subscription contracts for on-premise license (and maintenance, where applicable) as standard, including for renewals. This is in addition to the existing term license model. The presentation of the income statement has been updated to split "Software licensing" revenue into either "Subscription" or "Term license", depending on the nature of the contract. USD 292.2 million of Software licensing revenue in the year ended 31 December 2021 was split between Subscription revenue of USD 14.4 million and Term license of USD 277.8 million.

Subscription revenue represents all fees earned from granting customers a right-to-use license of the Group's software billed on a subscription basis over the contract term. Revenue recognized exceeding the billed amount is recognized as an unbilled receivable within "Trade and other receivables" in the statement of financial position.

Financial Statements**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

31 December 2022

2. Accounting policies continued**2.17 Revenue recognition** continued**Software license** continued

Revenue on subscription contracts is recognized at a point-in-time when the software is made available to the customer and the performance obligation is satisfied. Where applicable, maintenance included within the bundled subscription fee is allocated based upon the established standalone selling price and recognized rateably on a straight-line basis over the term of the arrangement as the performance obligation is satisfied.

Subscriptions accounting policy reflects revenue arising from contracts where a customer obtains a right-to-use software license, and typically also ongoing maintenance of that software, for a fixed term which may vary depending on the facts and circumstances. The associated consideration payable to Temenos (consisting of one fee for license and maintenance combined), is due over time, in contrast to a Term License where a majority of the License cash flows are typically expected to be earned upfront or within a short period after delivering the license (typically within 12 months). Subscriptions contracts may also include payments which significantly vary over time, examples including entitlement changes over a term, or general variability in payment terms.

Subscription contracts are assessed to determine whether these contain a significant financing component. Where this is determined to be the case, the significant financing component is recognized over the term of the contract and disclosed separately from Revenue from contracts with customers.

In instances of software license renewals with existing customers where the licensed software is consistent with that initially purchased and delivered to the customer, license revenue is recognized at a point-in-time when the renewal is signed and an enforceable contract deemed to exist.

SaaS

Software as a Service (SaaS) revenue is earned through the use of the Group's software to provide a service to the customer, whereby the customer does not have the ability to take possession of the software under a license arrangement without significant penalty. This includes the support and development of the software as well as the hosting infrastructure. This revenue stream also includes hosting services for the Group's license customers, who choose to have Temenos host their copy of the software. SaaS and hosting revenues are recognized over-time, commencing from the point the service is made available to the customer to access the service.

The Group has several contracts for which the customer has purchased both a right-to-use software license and hosting services. In instances where the customer has the contractual right to take possession of the software at any time during the contract term without significant penalty and could utilize another vendor to host the software during the contract term, the Group considers that the software license and hosting services are separable performance obligations and allocates revenue accordingly. Where this is not the case, the contract is determined to be a SaaS arrangement in its entirety.

In 2022, the Group entered into several arrangements with a fixed fee for a minimum amount of usage and variable fee for overages. The Group has recognized revenue for the fixed fee over the contract term and has applied the variable consideration guidance under IFRS 15 to determine whether the variable fee should be allocated to the period to which it relates. In situations where the variable consideration conditions were not met, the overages were estimated and recognized over the term of the contract.

Customers are typically invoiced annually in advance for SaaS contracts.

Maintenance

Software maintenance is included in most software license arrangements and is priced as a percentage of the initial software license fees. The standard maintenance offering is a stand ready obligation to provide technical support and unspecified updates, upgrades and enhancements on a when-and-if available basis. The customer simultaneously receives and consumes the benefits of these support services as performed hence revenue is recognized rateably on a straight-line basis over the term of the arrangement as the performance obligation is satisfied.

Services

Services revenue represents income from consulting, training and implementation services sold to customers under services contracts. Fixed-price arrangements are accounted for over time on a percentage-of-completion basis as determined by the percentage of project costs incurred to date compared to the estimated total project costs. For time and material-based contracts, revenue is recognized as services are rendered.

Professional Services projects are typically invoiced based on set project milestones with an initial portion invoiced upon contract signature.



2. Accounting policies continued

2.17 Revenue recognition continued

IFRS 15 requires estimates and judgments to be made and consistently applied by the Group in accounting for the revenue from contracts with customers. The areas that require estimates and judgments by the Group are detailed below:

Identification of contract

The Group enters multiple contracts with a customer and will assess these for the need to combine if the contracts are negotiated in and around the same time, are for the same economic purpose, or are dependent upon one another.

Initial/master agreements often have additional purchases, addendum, or terms modified throughout their term. At each point a contract is modified, the Group assesses the contract under the standard to determine if modifications are treated as a contract modification or a separate contract.

The Group makes an assessment initially to determine if the customer has the ability and intent to pay the consideration in the contract. In instances where the Group determine that the customer does not meet either of these criteria, it is deemed that a contract does not exist and no revenue is recognized until such a time as the customer has both the ability and intent to pay, or the Group has received non-refundable payment.

Identifying performance obligations

The Group commonly sells clearly defined separate performance obligations as identified by the disclosed revenue streams. The significant judgment arises when developments and customizations are included and an assessment must be made to determine whether these significantly alter the functionality of the software initially licensed. If it is concluded that the developments or customizations significantly modify the licensed software, the performance obligations will be bundled as one performance obligation and recognized when the combined performance obligation is functional, complete and delivered.

The Group often grants options to purchase additional products or services in its contracts with customers. These can be additional usage rights, renewals, additional products or modules, or premium maintenance. The Group assess each option to see if it provides that customer a material right. If a material right has been granted this is a separate performance obligation and revenue will be allocated to the performance obligation accordingly.

Determining the transaction price

Judgment is required in assessing the total consideration that will be paid in exchange for the satisfied performance obligations. This includes not only assessing the variable amounts which may be included in the consideration but also assessing if any concessions, discounts, or other variable factors may reduce the fixed fees in the contract. Temenos assesses internal historical experiences as well as external factors in making the necessary estimates.

Allocating the transaction price to the performance obligation

The Group allocates consideration to each performance obligation in a contract on a relative standalone selling price (SSP) basis, maximizing the use of observable inputs to do so.

The exercise of determining the appropriate method with which to estimate the SSP for each performance obligation requires judgment. The Group utilizes available data points such as renewal rates, relevant historical transactions, available market data and cost inputs to establish the SSP for each revenue stream. The pricing of software licenses is highly variable and therefore the residual approach is used to allocate the transaction price to the software license performance obligation.

Where identified within a contract, the SSP of material rights is determined by factoring in the likelihood of the customer exercising the option by utilizing relevant historical data and considering the nature of the material right.

Incremental costs of obtaining customer contracts

Incremental costs to obtain a contract are made up of sales commissions earned by the Group's sales teams which can be directly linked to an individual sale, primarily relating to maintenance and SaaS contracts. The asset is included within "Trade and other receivables" in the statement of financial position.

The asset is amortized over the life of the contract committed for by the customer on a straight-line basis. The asset is also periodically reviewed for impairment.

Costs to fulfil a contract

The costs to fulfil a contract with a customer that are associated with customization developments are deferred on the balance sheet as work-in-progress until the development performance obligation is met, at which point the costs are recognized in line with the revenue. The costs to fulfil a contract associated with set-up of SaaS contracts are deferred on the balance sheet until the go-live milestone and amortized over the period from the go-live date until the end of the committed contract period with the customer in line with the revenue.

Contract balances – assets and receivables

The Group classifies the right to consideration in exchange for products or services transferred to a customer as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional on factors other than passage of time whereas a contract asset is a right to consideration that is conditional upon other factors.

Contract assets represent revenue where the right to consideration is subject to future performance being satisfied such as the completion of milestones on services contracts or satisfaction of maintenance for future periods.

Deferred revenue

Deferred revenue (referred to as "contract liabilities" as per IFRS 15) represents prepayments from customers for wholly-unsatisfied or partially-satisfied performance obligations mainly in relation to annual in advanced billing on maintenance and SaaS contracts.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

2. Accounting policies continued

2.18 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company, adjusted for the effect that would result from the conversion of dilutive ordinary shares, by the weighted average number of ordinary shares plus the weighted average of number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer (CEO).

2.20 Other financial assets

Other financial assets include derivatives held with positive value and convertible notes.

Other financial assets are initially recorded at fair value. Any transaction costs are expensed in the statement of profit or loss.

Regular-way purchases and sales of financial assets are recognized on the trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognized when the rights to receive cash flows from the financial instruments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Derivative assets held for trading

A derivative is held-for-trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term; and/or
- not designated and effective hedging instrument.

While the objective of holding these assets is to provide effective economic hedges under the Group's risk management strategy, these derivatives are not designated as hedging instruments according to IFRS 9 since all relevant conditions are not met. Therefore, subsequent changes in the fair value are immediately recognized within "Finance costs – net". Related cash flows are reported as cash flows from investing activities.

Derivatives held-for-trading are reported as current assets.

Derivative assets used for hedging

Derivative assets used for hedging are subsequently measured at fair value with changes accounted for according to the provisions for hedge accounting under IFRS 9. They are reported as non-current assets when they are expected to be settled more than 12 months after the reporting period.

Convertible notes

Convertible notes are subsequently measured at fair value through profit or loss. They are reported as non-current assets when the final redemption date is more than 12 months after the reporting period and the Group intends to hold the asset until maturity.

2.21 Other financial liabilities

Other financial liabilities include derivatives held with negative value.

At initial recognition, other financial liabilities are measured at fair value. Any transaction costs are expensed in the statement of profit or loss.

Derivative liabilities held-for-trading

A derivative is held-for-trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term; and/or
- not designated and effective hedging instrument.

While the objective of holding these liabilities is to provide effective economic hedges under the Group's risk management strategy, these derivatives are not designated as hedging instruments according to IFRS 9 since all relevant conditions are not met. Therefore, subsequent changes in the fair value are immediately recognized within "Finance costs – net". Related cash flows are reported as cash flows from investing activities.

Derivatives held for trading are reported as current liabilities.

Derivative liabilities used for hedging

Derivative liabilities used for hedging are subsequently measured at fair value with changes accounted according to the provisions for hedge accounting under IFRS 9. They are reported as non-current liabilities when they are expected to be settled more than 12 months after the reporting period.



2. Accounting policies continued

2.22 Hedging activities

At inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and the hedged item, the risk management objective and strategy as well as the methodology to assess the hedge effectiveness requirements.

The Group does not currently apply fair value hedge designations.

Cash flow hedge and hedge of a net investment

The effective portion of change in fair value of the hedging instrument is recognized in other comprehensive income. The ineffective portion is immediately recognized in profit or loss.

Accumulated amounts deferred in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss to the extent that it does not result in the recognition of a non-financial asset or a non-financial liability (e.g. fixed assets, deferred revenue) in which case the gains and losses are removed to the initial cost of the asset or the carrying amount of the liability.

When the Group separates the time value of an option, the forward element of a forward contract or the currency basis spread of a swap instrument from the designation of the hedging instrument, the movement in fair value of these elements are recognized in other comprehensive income as “cost of hedging” to the extent they relate to the hedge item. They are subsequently recognized in profit or loss or included in the initial cost or carrying amount of a non-financial asset or liability either over the period of the hedging relationship for a “time-period related” hedge or when the hedge item occurs for a “transaction-related” hedge. The fair value change of any unaligned portion of the time value of an option is recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires, or is sold or terminated, or when the risk management objective is no longer met. The amount accumulated in other comprehensive income remains in equity until the hedge item occurs. If there is no longer expectation that the forecast transaction will realize, the amount is immediately reclassified to profit or loss.

Hedge effectiveness is tested every quarter or upon a significant change in the assumptions. The existence of an economic relationship between the hedge item and the hedging instrument is assessed using either the “critical term match” method or the “dollar offset” method when the terms of the hedging instrument do not closely match the terms of the hedged item. Possible source of ineffectiveness may arise from: an increase in credit risk for the derivative counterparty or a significant change in the timing of the cash flow realization.

2.23 Fair value measurement

The Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using similar inputs that the market participants would use when pricing the asset or liability and assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group’s consolidated financial statements are categorized within the fair value hierarchy, as follows:

- level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; or
- level 3 inputs: inputs for the asset or liability that are not based on observable market data.

The Group’s policy is to recognize transfers into and out of fair value hierarchy levels as at the end of the reporting period when the event or change in circumstances occurred.

For items categorized within level 3, the Group’s finance team reviews the estimates and assumptions on a regular basis but, in all cases, at each interim period. Any changes that may have a significant effect on the reported fair value are reported to management.

The Group has elected to use the exception provided by paragraph 48 of IFRS 13 ‘Fair Value Measurement’ to measure the credit risk element attributable to the Group’s own credit risk (net short position) or the counterparty’s credit risk (net long position) on a net basis for the financial assets and financial liabilities governed by a master netting agreement.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

2. Accounting policies continued

2.24 Offsetting financial instruments

Financial assets and financial liabilities are offset in the Statement of financial position when, and only when, the Group:

- currently has a legally enforceable right to set-off the financial assets and financial liabilities; and
- intends either to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

An enforceable right to offset financial assets and financial liabilities must not be contingent on future events and must be currently legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy.

2.25 Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial instruments

3.1 Accounting classifications

The Group holds the following financial instruments to which the accounting policies under IFRS 7 'Financial Instruments: Disclosures' applies:

	2022 USD 000	2021 USD 000
Financial assets		
Financial assets measured at fair value through profit or loss (FVTPL)	53,863	22,906
Derivative instruments used for hedging	24,099	5,849
Financial assets measured at amortized cost	450,254	478,770
Total	528,216	507,525
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (FVTPL)	1,506	600
Derivative instruments used for hedging	8,365	2,240
Contingent consideration	—	2,400
Financial liabilities measured at amortized cost	1,001,328	1,136,385
Total	1,011,199	1,141,625

3.2 Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management policies and guidelines focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial statements.

Market risk

Market risk management is carried out by a central treasury team under policies and procedures approved by management. These policies are primarily set out to identify, evaluate and hedge when deemed necessary, the related financial risks. The Group's policies and implementation procedures are regularly updated to reflect changes in market conditions, Group's activities and emergence of new risks. They are also regularly overseen by the Group's internal audit team for compliance as well as detection of control deficiencies.

(i) Foreign exchange risk

By operating internationally, the Group is exposed to risks associated with fluctuations in foreign currencies. Foreign exchange risk arises from:

- forecast transactions denominated in foreign currency; and/or
- monetary assets and liabilities denominated in foreign currency.

The Group's strategy is to make efforts in order to mitigate the effect of the variability in cash flows that is attributable to the movement in foreign currencies. This is implemented by 1) aligning the revenue streams to currencies that match the cost base and 2) to offset the change in value of the material residual exposures by the use of derivative instruments.

The Group hedges exposures from currencies for which the combination of high volatility and sizeable exposure could have a material effect on the financial statements. Inter-currencies correlation is also considered when determining the exposure at risk.



3. Financial instruments continued

3.2 Financial risk factors continued

Market risk continued

(i) Foreign exchange risk continued

Forecast transactions

The Group seeks to lock its 12-18 month projection of future cash transactions in foreign currencies within specific “coverage” parameters with a higher hedging ratio for front-loaded quarters. The strategy is executed in layers and derivatives used are currency forward contracts as well as currency options.

The Group applies hedge accounting when applicable and, except for maintenance and SaaS revenues for which the effective portion of the hedge become part of the carrying amount reported in the “Deferred revenues” line, forecasted transactions are expected to be recognized in profit or loss during the same period as the hedging instrument.

Monetary assets and liabilities

Foreign currency risks arising from monetary positions (e.g. trade receivables, trade payables, intercompany balances) are hedged using rolling-currency forward contracts or cross-currency swaps for duration exceeding one year. Except for relationships involving cross-currency swaps, hedge accounting is not applied as the fair value change of both the instruments and the underlying items are recognized in the same period and within the same line in the profit or loss statement. For hedging relationship involving a cross-currency swap, the Group applies cash flow hedging when the underlying risk could affect profit or loss or net investment hedge when it affects the other comprehensive income.

The table below illustrates the Group’s most sensitive currency exposures:

	Net exposure	
	2022 FCY* 000	2021 FCY* 000
Euro	(5,003)	(13,735)
UK pounds	3,116	(12,347)
Swiss francs	14,030	(12,371)
India rupee	(493,183)	(39,617)

* Foreign currency.

A negative value represents a liability exposure.

These exposures represent monetary assets and liabilities, including derivatives held-for-trading, that are either:

- denominated in one of the currencies above and measured in an entity with a different functional currency; or
- denominated in any foreign currency and measured in an entity whose functional currency is one of the above and that are not part of an IFRS 9 existing hedging relationship.

Sensitivity analysis

The following table represents the effect of a reasonable shift in the currencies above against the US dollar.

	2022			
	Euro USD 000	UK pounds USD 000	Swiss francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
Profit or (loss)	(535)	377	1,517	(595)
Other components of equity*	(8,764)	2,241	23,176	5,582
Equity	(9,299)	2,618	24,693	4,987
Sensitivity assumption	-10%	-10%	-10%	-10%
Profit or (loss)	535	(377)	(1,517)	595
Other components of equity*	8,764	(2,241)	(23,176)	(5,582)
Equity	9,299	(2,618)	(24,693)	(4,987)

* Arises from hedging relationships designated as cash flow hedge and net investment hedge.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Financial instruments continued

3.2 Financial risk factors continued

Market risk continued

Sensitivity analysis continued

	2021			
	Euro USD 000	UK pounds USD 000	Swiss francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
(Loss)	(1,558)	(1,668)	(1,355)	(53)
Other components of equity*	(4,373)	2,730	2,464	4,365
Equity	(5,931)	1,062	1,109	4,312
Sensitivity assumption	-10%	-10%	-10%	-10%
Profit	1,558	1,668	1,355	53
Other components of equity*	4,373	(2,730)	(2,464)	(4,365)
Equity	5,931	(1,062)	(1,109)	(4,312)

* Arises from hedging relationships designated as cash flow hedge and net investment hedge.

Given the volatility of these currencies, the current economic environment and the foreign exchange market conditions, the sensitivity assumption represents management's assessment of reasonably possible changes in spot rates.

(ii) Cash flow and fair value interest risk

Except for the convertible note asset (note 3.4), the Group is not exposed to fair value risk as it has no "non-derivative" interest-bearing financial instruments measured at fair value.

The Group is exposed to cash flow interest rate risks arising from cash and cash equivalents and its reported borrowings at variable rates.

The Group's policy is to set the limit for the "fixed-floating" mix of interest risk exposure in order to minimize the effect from unfavorable move in the interest curve while optimizing the opportunity from a favorable shift. The Group may use interest derivatives to achieve this objective. At the reporting dates, the portion of borrowings at variable rates was negligible.

The Group may hedge the cash flow risk on coupon payments from future issuance of interest-bearing liabilities arising from the variability in the forward interest curve. Such strategy is conducted under specific policies that depict the size limitation, the hedge horizon as well as the quantitative and qualitative factors to demonstrate the "highly probable" criteria so that hedge accounting can be applied. At 31 December 2022, the Group holds a portfolio of interest rate derivatives for a net nominal of CHF 205 million and the effect in other comprehensive income for a shift of 1 basis point in the interest curve would be USD 102 thousand gain for a positive shift and the opposite for a negative shift.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables.

The carrying amount of the financial assets, as reported in section 3.1 above, represents the maximum credit exposure.

Trade receivables and contract assets

The Group determines the creditworthiness of any prospective or existing customer at the initial phase of each bid process. Assessment of credit risk is mainly based on assessing the creditworthiness of customers through external ratings and in the case of existing customers, also assessing our past experience.

If a company is not rated, then historical payment experience, if available, together with country stability is taken into consideration to assess the credit risk.

Every credit check performed on prospective or existing customers at the initial phase of the negotiation goes through an approval process. The credit rating is taken into account during the revenue recognition process once contracts are signed.

Payment terms and requirement of financial security are adapted according to the degree of the credit quality and the past experience. At present, the Group does not hold any collateral security.

The Group assess the credit risk for customers with significant balances on a regular basis.

In cases when delinquency in payments occurs, the Group may withhold services delivery under current implementation or limit the right to use its software.

As at 31 December 2022 and 2021, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed. At 31 December 2022 and 2021, there is no concentration of credit risk at individual customer level, with the exception of one customer that represents around 10% of the trade receivables and contract assets with respect of a balance not due yet.



3. Financial instruments continued

3.2 Financial risk factors continued

Credit risk continued

Trade receivables and contract assets continued

The Group performs impairment analysis using a default rate to measure expected credit loss for all trade receivables including those with significant financing components and contract assets. The Group identifies the default rate by analyzing the historical and current experience with credit losses, considering it to represent a reasonable approximation for future expected defaults and applicable to its current receivables. The Group also takes into consideration forward-looking factors, including changes in the economic environment or changes in regulation, and if material reflects these in the expected credit loss allowance.

A credit impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Evidence of impairment includes severe financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization.

At 31 December 2022, the credit risk exposure on the Group's trade receivables and contract assets is as follows:

	2022 USD 000	2021 USD 000
Expected credit loss rate	1.69%	1.03%
Gross carrying amount for trade receivables and contract assets	340,646	313,750
Provision for credit losses	5,771	3,231

The Group's exposure to credit risk from balances due from its customers is limited. Therefore, the Group has applied the expected credit loss rate calculated above to the overall receivable and contract asset balances without using a grouping criteria and hence a provision matrix is not presented for disclosure purposes.

Refer to note 14 for the movement in the loss allowance in respect of trade receivables and contract assets.

Cash and cash equivalents and financial instruments

To the extent possible, the Group mitigates counterparty risk by:

- holding balances with reputable or "investment grade" rated institutions based in high-rated countries; and
- carrying out a policy for diversification and limitation of cash concentration by counterparty.

Derivatives are entered into with reputable or "investment grade" counterparties and are governed by enforceable "ISDA" agreements or equivalent.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk is managed by holding sufficient cash balances and availability of committed banking facilities.

The Group's policy aims to guarantee a level of liquidity that meets the Group's present and near-term financial obligations under both normal and stressed conditions. This is weekly-monitored on the basis of actual liabilities in the accounting ledger as well as rolling forecasts for future transactions. Excess of cash is primarily used to repay any drawn borrowing facilities (note 19).

The following table details the remaining contractual maturity of the Group's non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2022					
Trade and other payables	141,945	17,412	—	—	—
Property provision	—	—	492	676	—
Borrowings					
Lease liabilities	6,535	6,377	19,349	5,887	1,353
Other borrowings	213,443	196,427	168,670	241,513	—
Total non-derivative financial liabilities	361,923	220,216	188,511	248,076	1,353

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Financial instruments continued

3.2 Financial risk factors continued

Liquidity risk continued

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2021					
Trade and other payables	158,708	16,623	—	—	—
Property provision	—	98	12	1,086	—
Borrowings					
Lease liabilities	8,423	7,489	18,824	9,688	536
Other borrowings	322,060	7,278	201,896	415,507	—
Total non-derivative financial liabilities	489,191	31,488	220,732	426,281	536

The following table details the Group's liquidity analysis for its derivative financial liabilities. These amounts represent the contractual undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed or in foreign currency, the amount disclosed has been determined or converted by reference to quoted prices in active markets for identical instruments:

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2022						
Gross settlement of cross-currency swaps (interest only)*						
-Outflows	—	3,412	5,178	8,590	5,178	—
-Inflows	—	(1,325)	(2,109)	(3,434)	(2,109)	—
	—	2,087	3,069	5,156	3,069	—
Gross settled foreign exchange derivatives						
-Outflows	168,677	31,001	71,929	54,679	—	—
-Inflows	(166,209)	(29,561)	(69,617)	(53,095)	—	—
	2,468	1,440	2,312	1,584	—	—
Net settled foreign exchange derivatives	664	627	466	90	—	—
Total derivatives	3,132	4,154	5,847	6,830	3,069	—

* It represents the contractual liability arising from the interest payments that is reported as part of the total fair value of the instruments as an asset in the statement of financial position.

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	More than 5 years USD 000
At 31 December 2021						
Outflow cross-currency swaps	—	169,991	986	986	34,177	—
Inflow cross-currency swaps	—	(167,589)	(493)	(493)	(33,847)	—
Outflow foreign exchange derivatives	99,800	5,649	12,249	3,276	—	—
Inflow foreign exchange derivatives	(99,109)	(5,522)	(11,996)	(3,240)	—	—
Net settled foreign exchange derivatives	—	—	—	—	—	—
Total derivatives	691	2,529	746	529	330	—

3.3 Capital risk management

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group is also subject to financial covenants under its facility agreement that are Debt Leverage and Interest Cover Ratio.

The capital structure of the Group consists of the net debt (note 13) and the capital and reserves attributable to equity holders of the parent.

The capital risk management policy remains unchanged from the previous period.



3. Financial instruments continued

3.4 Fair value measurement

The following table provides the level of the fair value hierarchy within which the carrying amounts of the financial assets and liabilities measured at fair value are categorized.

Year ended 31 December 2022	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Foreign currency forwards (note 15)	—	2,234	—	2,234
Convertible notes (note 15)	—	—	51,629	51,629
Derivatives used for hedging				
Foreign currency forwards (note 15)	—	1,385	—	1,385
Foreign currency options (note 15)	—	1,162	—	1,162
Cross-currency swaps (note 15)	—	13,329	—	13,329
Interest rate swaps (note 15)	—	8,223	—	8,223
Total	—	26,333	51,629	77,962
	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Foreign currency forwards (note 15)	—	1,506	—	1,506
Contingent consideration	—	—	—	—
Derivatives used for hedging				
Foreign currency forwards (note 15)	—	6,526	—	6,526
Foreign currency options (note 15)	—	1,839	—	1,839
Total	—	9,871	—	9,871
Year ended 31 December 2021	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Foreign currency forwards (note 15)	—	2,504	—	2,504
Convertible notes (note 15)	—	—	20,402	20,402
Derivatives used for hedging				
Foreign currency forwards (note 15)	—	3,880	—	3,880
Foreign currency options (note 15)	—	567	—	567
Cross-currency swaps (note 15)	—	936	—	936
Interest rate swaps (note 15)	—	466	—	466
Total	—	8,353	20,402	28,755
	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Foreign currency forwards (note 15)	—	600	—	600
Contingent consideration	—	—	2,400	2,400
Derivatives used for hedging				
Foreign currency forwards (note 15)	—	505	—	505
Foreign currency options (note 15)	—	213	—	213
Cross-currency swaps (note 15)	—	1,522	—	1,522
Total	—	2,840	2,400	5,240

Valuation techniques and key inputs

Foreign currency forwards

Discounted future cash flows (based on the forward exchange rate) using observable yield curves adjusted for credit risk.

Foreign currency options

Garman-Kohlhagen model (an adaptation of the Black-Scholes model for currency option).

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Financial instruments continued

3.4 Fair value measurement continued

Valuation techniques and key inputs continued

Cross-currency swaps

Discounted future cash flows using observable yield curves (including currency basis spreads). The fair value of the leg measured in foreign currency is translated using the spot exchange rate.

Interest rate swaps

Discounted cash flow method using observable yield curves adjusted for credit risk.

There were no changes in valuation techniques during the period.

Assets and liabilities in level 3

Convertible notes

Investments in convertible notes contain embedded derivatives and are hence designated at fair value through profit and loss in entirety as the embedded derivatives are not separated. These convertible notes are classified as either current or non-current assets depending on their maturities.

In June 2021, the Group entered into an agreement to purchase a convertible note for USD 19.9 million (convertible note 1), with an option to convert into equity. Fair value represented the present value of future cash flows (principal and interest) using the incremental rate of the notes plus the fair value of the conversion feature. In June and September 2022, the Group purchased additional convertible notes for USD 10 million (convertible note 2) and USD 12.8 million (convertible note 3) respectively. As of 31 December 2022, the Group determined the fair value of these instruments assuming the likely scenario of conversion in the future using an independent third party valuation. The valuation adopted a discounted cash flow approach relying on unobservable input relating to the equity value of the Company and the most significant assumptions were: discount rate of 20%, long-term growth rate of 3%, cumulative average growth rate for revenue of 36.9% and an EBITDA margin of 35%. The valuation at 31 December 2022 resulted in a fair value gain of USD 6.8 million recognized in the profit or loss statement in the finance income line item.

The Group performed the following sensitivities with respect to the impact of a reasonable change in these significant assumptions individually keeping other inputs unchanged on the fair value of the investment:

Unobservable inputs

	Change in assumption	Impact on profit or (loss)	
		Increase USD 000	Decrease USD 000
Discount rate (WACC)	2.00%	(4,500)	6,700
Long-term growth rate	0.50%	1,000	(200)
EBITDA margin	2.50%	3,000	(2,200)
Cumulative average growth rate of revenue (CAGR)	5.00%	9,500	(6,300)

Contingent consideration

The Group adjusted the contingent consideration payable related to the acquisition of Htrunk Software Solutions Private Limited based on the actual achievement of the target under the terms of Sale and Purchase agreement and approved by management. The earn out period ended 31 March 2022 and final settlement of USD 3.2 million was paid in 2022.

Reconciliation from opening to closing balances:

	Convertible note USD 000	Contingent consideration USD 000
At 1 January 2021	—	775
Purchase	19,900	—
Amount true up to "Cost of sales"	—	1,467
Interest	502	—
Unwinding of discount to "Finance costs"	—	158
At 31 December 2021	20,402	2,400
Purchase	22,779	—
Amount true up to "Cost of sales"	—	776
Interest	1,648	—
Net change in fair value (FVTPL)	6,800	—
Unwinding of discount to "Finance costs"	—	67
Settlement	—	(3,243)
At 31 December 2022	51,629	—



3. Financial instruments continued

3.5 Hedging

At 31 December, the Group held the following derivatives as hedging instruments:

Year ended 31 December 2022

	Time band		
	1-6 months	6-12 months	More than one year
Foreign currency risk			
Purchase of foreign currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	46,927	30,225	33,054
USD/CHF VWAP	0.917	0.917	0.930
GBP/USD VWAP	1.277	1.229	1.175
USD/INR VWAP	80.362	82.703	85.419
EUR/USD VWAP	1.141	1.152	—
Sale of foreign currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	19,212	29,206	53,096
EUR/USD VWAP	1.038	1.043	1.062
Purchase of foreign currency options:			
Call			
Nominal amount expressed in USD equivalent (in thousands)	34,877	28,739	7,137
VWAP USD/CHF strike	0.935	0.935	—
VWAP GBP/USD strike	1.269	1.253	1.190
VWAP USD/INR strike	76.645	77.414	—
VWAP EUR/USD strike	1.173	1.173	—
Put			
Nominal amount expressed in USD equivalent (in thousands)	5,725	—	—
VWAP EUR/USD strike	1.145	—	—
Sale of foreign currency options:			
Call			
Nominal amount expressed in USD equivalent (in thousands)	5,977	—	—
VWAP EUR/USD strike	1.195	—	—
Put			
Nominal amount expressed in USD equivalent (in thousands)	33,133	27,336	6,719
VWAP USD/CHF strike	1.001	1.001	—
VWAP GBP/USD strike	1.219	1.199	1.120
VWAP USD/INR strike	80.925	81.502	—
VWAP EUR/USD strike	1.085	1.085	—
Cross-currency swaps			
Nominal amount in CHF (in thousands)	—	—	200,000
USD/CHF VWAP	—	—	0.973
Interest rate derivatives			
Nominal amount in CHF (in thousands)	—	85,000	120,000
Average fixed rate	—	0.72%	1.58%

Since the critical terms of the hedging instrument closely match those of the hedge items, the Group applies a hedge ratio of 1:1.



Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Financial instruments continued**3.5 Hedging** continued

Year ended 31 December 2021

	Time band		
	1-6 months	6-12 months	More than one year
Foreign currency risk			
Purchase of forward currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	40,129	39,185	8,911
USD/CHF VWAP	0.913	0.909	0.905
GBP/USD VWAP	1.376	1.377	1.364
USD/INR VWAP	77.486	79.231	80.364
Sale of foreign currency forwards:			
Nominal amount expressed in USD equivalent (in thousands)	22,474	15,905	1,771
EUR/USD VWAP	1.215	1.224	1.181
Purchase of foreign currency options:			
Nominal amount expressed in USD equivalent (in thousands)	946	7,240	4,891
VWAP USD/CHF strike	0.880	0.880	—
VWAP USD/INR strike	74.664	75.310	75.364
VWAP EUR/USD strike	1.142	1.124	1.145
Sale of foreign currency options:			
Nominal amount expressed in USD equivalent (in thousands)	416	5,862	4,092
VWAP USD/CHF strike	0.928	0.928	—
VWAP USD/INR strike	78.461	79.349	79.460
VWAP EUR/USD strike	1.274	1.268	1.195
Cross-currency swaps			
Nominal amount in CHF (in thousands)	150,000	—	30,000
EUR/CHF VWAP	1.033	—	—
USD/CHF VWAP	—	—	0.932
Interest rate derivatives			
Nominal amount in CHF (in thousands)	—	45,000	—
Average fixed rate	—	-0.07%	—

Since the critical terms of the hedging instrument closely match those of the hedge items, the Group applies a hedge ratio of 1:1.



3. Financial instruments continued

3.5 Hedging continued

The effect of hedge accounting on the financial position and performance

The table below shows the effect on the financial statements from the items designated as hedged items and hedging instruments.

Items designated as hedging instrument

	Carrying amount		Line item in the statement of financial position	Period change in value used to determine hedge ineffectiveness USD 000
	Assets USD 000	Liabilities USD 000		
Year ended 31 December 2022				
Foreign exchange risk				
Foreign currency forwards – cash flow hedge	1,385	6,526	Other financial assets and liabilities (note 15)	(5,240)
Foreign currency options – cash flow hedge	1,162	1,839	Other financial assets and liabilities (note 15)	(765)
Cross-currency swaps – net investment hedge	13,329	—	Other financial assets and liabilities (note 15)	12,783
Interest rate risk				
Interest rate swaps – cash flow hedge	8,223	—	Other financial assets and liabilities (note 15)	8,223

Items designated as a hedge item

	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve ()= cumulative loss USD 000	Costs of hedging reserve ()= cumulative loss USD 000
Year ended 31 December 2022			
Foreign exchange risk			
Forecast transactions – cash flow hedge	6,005	(5,735)	(81)
Investment in foreign operations – net investment hedge	12,783	10,800	(389)
Interest rate risk			
Forecasted issuance of interest-bearing liabilities – cash flow hedge	(8,223)	8,223	—

Included in the cash flow hedge reserve is USD 3.5 million (2021: nil) representing the remaining balance for which hedge accounting is no longer applied.

Items designated as hedging instrument

	Carrying amount		Line item in the statement of financial position	Period change in value used to determine hedge ineffectiveness USD 000
	Assets USD 000	Liabilities USD 000		
Year ended 31 December 2021				
Foreign exchange risk				
Foreign currency forwards – cash flow hedge	3,880	505	Other financial assets and liabilities (note 15)	3,244
Foreign currency options – cash flow hedge	567	213	Other financial assets and liabilities (note 15)	385
Cross-currency swaps – cash flow hedge	—	1,522	Other financial assets and liabilities (note 15)	9,451
Cross-currency swaps – net investment hedge	936	—	Other financial assets and liabilities (note 15)	916
Interest rate risk				
Interest rate swaps – cash flow hedge	466	—	Other financial assets and liabilities (note 15)	466

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Financial instruments continued

3.5 Hedging continued

Items designated as a hedge item

Year ended 31 December 2021	Period change in value used to determine hedge ineffectiveness USD 000	Cash flow hedge reserve (= cumulative loss) USD 000	Costs of hedge reserve (= cumulative loss) USD 000
Foreign exchange risk			
Forecast transactions – cash flow hedge	3,629	3,759	(30)
Borrowings – cash flow hedge	9,451	(922)	—
Investment in foreign operations – net investment hedge	916	779	20
Interest rate risk			
Forecasted issuance of interest-bearing liabilities – cash flow hedge	466	466	—

Note 26 provides details on changes in fair value and amounts reclassified to profit or loss by risk category.

There was no ineffectiveness recognized during the period (2021: USD nil).

The Group does not have any forecast transactions for which cash flow hedge accounting has been used in previous periods but which are no longer expected to occur.

3.6 Offsetting financial assets and financial liabilities

Derivative transactions are governed by "ISDA" master agreements. Such agreements may permit the Group to use net settlement in respect of either the same transaction or multiple defined transactions in the normal course of business and more importantly provide the right to close-out netting when the agreement is terminated as a result of an event of default or a termination event.

The Group has a set-off agreement with one of its Partners. Under the terms of this agreement, all amounts payable are offset against receivables and the net amount are settled between the parties.

Year ended 31 December 2022	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set-off USD 000	Net amount USD 000
Financial assets					
Trade receivables (note 14)	336,757	(1,882)	334,875	—	334,875
Derivative financial assets (note 15)	26,333	—	26,333	(4,497)	21,836
Total	363,090	(1,882)	361,208	(4,497)	356,711
Financial liabilities					
Trade payables (note 18)	44,096	(1,882)	42,214	—	42,214
Derivative financial liabilities (note 15)	9,871	—	9,871	4,497	5,374
Total	53,967	(1,882)	52,085	4,497	47,588
Year ended 31 December 2021					
Financial assets					
Trade receivables (note 14)	312,228	(1,709)	310,519	—	310,519
Derivative financial assets (note 15)	8,353	—	8,353	(1,909)	6,444
Total	320,581	(1,709)	318,872	(1,909)	316,963
Financial liabilities					
Trade payables (note 18)	41,994	(1,709)	40,285	—	40,285
Derivative financial liabilities (note 15)	2,840	—	2,840	1,909	931
Total	44,834	(1,709)	43,125	1,909	41,216



4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 17).

If future sales and size of market opportunities are significantly lower than management's estimates, the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2022, the carrying amount of goodwill amounted to USD 1,052.6 million (2021: USD 1,086.4 million).

Revenue recognition

As detailed in note 2.17, the Group is required to make an assessment for each new software license contract as to whether the underlying software requires significant modification or customization by the Group to meet the customer's requirements. If significant modification or customization is required, then the license fee is recognized at the point-in-time when all developments and customizations are complete, functional and delivered to the customer. However, most of such modifications or customizations have not been deemed significant in current or prior periods.

Under IFRS 15, the collection of cash is addressed from the outset. If Temenos does not consider the customer to have the necessary ability or intent to pay the consideration promised for the performance obligations, then Temenos is not in possession of a contract and revenue recognition cannot commence. If there is doubt about the total amount of consideration to be paid, then this is assessed under the Variable consideration guidance. Both require judgment to be applied by Temenos.

In addition, management exercises judgment with respect to the determination of the appropriate method to estimate the standalone selling price for the various performance obligations in a contract, which ultimately impacts the amount of revenue recognized in the consolidated financial statements for each performance obligation.

In respect of services revenue, management exercises judgment in determining the percentage of completion, specifically with regards to total man-days remaining to complete the implementation.

Internally-generated software development

As detailed in note 2.7, the Group is required to make an assessment for each ongoing project in order to determine the stage a project meets the criteria outlined in the Group's accounting policies. Such an assessment may, in certain circumstances, require significant judgment. In making this judgment, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. Total development expenses for the period were USD 279.8 million (2021: USD 277.6 million) and total capitalized development costs were USD 86.3 million (2021: USD 90.5 million).

5. Group companies

The consolidated financial statements include the accounts of TEMENOS AG and the following entities as at 31 December 2022:

Company name	Country of incorporation	2022 Ownership interest	2021 Ownership interest
AVOKA TECHNOLOGIES PTY LIMITED	Australia	100%	100%
INFINITIVE PTY LIMITED	Australia	100%	100%
RUBIK ESOP TRUSCO PTY LIMITED	Australia	100%	100%
RUBIK IP HOLDINGS PTY LIMITED	Australia	100%	100%
RUBIK MORTGAGES PTY LIMITED	Australia	100%	100%
SKY TECHNOLOGIES CONSULTING PTY LIMITED	Australia	100%	100%
SKY TECHNOLOGIES HOLDINGS PTY LIMITED	Australia	100%	100%
SKY TECHNOLOGIES PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA FINANCIAL PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA MESSAGING PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA OPERATIONS PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA SERVICES PTY LIMITED	Australia	100%	100%



Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

5. Group companies continued

Company name	Country of incorporation	2022 Ownership interest	2021 Ownership interest
TEMENOS AUSTRALIA SYMMETRY PTY LIMITED	Australia	100%	100%
TEMENOS AUSTRALIA TECHNOLOGY SOLUTIONS PTY LIMITED	Australia	100%	100%
TEMENOS SOLUTIONS AUSTRALIA PTY LIMITED	Australia	100%	100%
ODYSSEY FINANCIAL TECHNOLOGIES SA	Belgium	100%	100%
TEMENOS BELGIUM SA	Belgium	100%	100%
TEMENOS SOFTWARE BRASIL LIMITADA	Brazil	100%	100%
TEMENOS HOLDINGS LIMITED	British Virgin Islands	100%	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%	100%
AVOKA TECHNOLOGIES CANADA INC.*	Canada	0%	100%
TEMENOS CANADA INC.	Canada	100%	100%
TEMENOS SOFTWARE (SHANGHAI) CO. LIMITED	China	100%	100%
TEMENOS COLOMBIA SAS	Colombia	100%	100%
TEMENOS COSTA RICA SA	Costa Rica	100%	100%
TEMENOS (RUSSIA) LIMITED**	Cyprus	0%	100%
TEMENOS MIDDLE EAST LIMITED	Cyprus	100%	100%
TEMENOS DENMARK APS	Denmark	100%	100%
TEMENOS ECUADOR SA	Ecuador	100%	100%
TEMENOS EGYPT LLC	Egypt	100%	100%
IGEFI FRANCE SARL	France	100%	100%
TEMENOS FRANCE SAS	France	100%	100%
TEMENOS HOLDINGS FRANCE SAS	France	100%	100%
VIVEO FRANCE SAS	France	100%	100%
VIVEO GROUP SAS	France	100%	100%
AVOKA (GERMANY) GmbH	Germany	100%	100%
TEMENOS DEUTSCHLAND GmbH	Germany	100%	100%
TEMENOS HELLAS SA	Greece	100%	100%
IGEFI HONG KONG LIMITED**	Hong Kong	0%	100%
TEMENOS FINANCE HONG KONG LIMITED	Hong Kong	100%	100%
TEMENOS HONG KONG LIMITED	Hong Kong	100%	100%
TEMENOS INDIA PVT LIMITED	India	100%	100%
KONY INDIA PVT LIMITED	India	100%	100%
KONY SERVICES INDIA LLP	India	100%	100%
IGEFI IRELAND LIMITED	Ireland	100%	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%	100%
TEMENOS ISRAEL LIMITED	Israel	100%	100%
TEMENOS JAPAN KK	Japan	100%	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%	100%
TEMENOS KOREA LIMITED	Korea	100%	100%
IGEFI GROUP SARL	Luxembourg	100%	100%
ODYSSEY GROUP SA	Luxembourg	100%	100%
TEMENOS FINANCE LUXEMBOURG SARL	Luxembourg	100%	100%
TEMENOS LUXEMBOURG SA	Luxembourg	100%	100%
TEMENOS SOFTWARE LUXEMBOURG SA	Luxembourg	100%	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%	100%
TEMENOS MEXICO SA DE CV	Mexico	100%	100%
TEMENOS NORTH AFRICA LLC	Morocco	100%	100%
KONY SOLUTIONS BV	Netherlands	100%	100%



5. Group companies continued

Company name	Country of incorporation	2022 Ownership interest	2021 Ownership interest
TEMENOS (NL) BV	Netherlands	100%	100%
TEMENOS HOLLAND BV	Netherlands	100%	100%
TEMENOS INVESTMENTS BV	Netherlands	100%	100%
TEMENOS NEW ZEALAND LIMITED	New Zealand	100%	100%
TEMENOS PANAMA SA	Panama	100%	100%
TEMENOS PHILIPPINES INC.	Philippines	100%	100%
TEMENOS POLSKA SP. Z.O.O	Poland	100%	100%
KONY SOLUTIONS LIMITED	Republic of Mauritius	100%	100%
TEMENOS ROMANIA SRL	Romania	100%	100%
KONY SINGAPORE PTE LIMITED**	Singapore	0%	100%
TEMENOS SINGAPORE FT PTE LIMITED	Singapore	100%	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%	100%
TEMENOS AFRICA (PTY) LIMITED	South Africa	100%	100%
TEMENOS HISPANIA SL	Spain	100%	100%
TEMENOS COLOMBO (PVT) LIMITED	Sri Lanka	100%	100%
TEMENOS CLOUD SWITZERLAND SA	Switzerland	100%	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD SIRKETI	Turkey	100%	100%
AVOKA EUROPE LIMITED	United Kingdom	100%	100%
EDGE IPK LIMITED	United Kingdom	100%	100%
FE MOBILE LIMITED	United Kingdom	100%	100%
FINANCIAL OBJECTS (UK) LIMITED	United Kingdom	100%	100%
FINANCIAL OBJECTS INTERNATIONAL LIMITED	United Kingdom	100%	100%
FINANCIAL OBJECTS LIMITED	United Kingdom	100%	100%
IGEFI UK LIMITED	United Kingdom	100%	100%
LOGICAL GLUE LIMITED	United Kingdom	100%	100%
ODYSSEY FINANCIAL TECHNOLOGIES LIMITED	United Kingdom	100%	100%
TEMENOS FOFL LIMITED	United Kingdom	100%	100%
TEMENOS FOGT LIMITED	United Kingdom	100%	100%
TEMENOS UK LIMITED	United Kingdom	100%	100%
WEALTH MANAGEMENT SYSTEMS LIMITED	United Kingdom	100%	100%
AVOKA (USA), INC.	USA	100%	100%
KONY, INC.	USA	100%	100%
TEMENOS CLOUD AMERICAS LLC	USA	100%	100%
TEMENOS HOLDINGS USA, INC.	USA	100%	100%
TEMENOS USA, INC.	USA	100%	100%
TRINOVUS SYSTEMS LLC**	USA	0%	100%
TEMENOS VIETNAM COMPANY LIMITED	Vietnam	100%	100%

In addition to the Group companies listed above, some Group subsidiaries maintain branches or representative offices at the following locations: Beirut (Lebanon), Dubai (United Arab Emirates), Riyadh (Saudi Arabia), Milan (Italy), Moscow (Russia), Taipei (Taiwan), Islamabad (Pakistan), Jakarta (Indonesia), Tunis (Tunisia), Helsinki (Finland), Malmo (Sweden) and Renens (Switzerland).

* Merger of companies in 2022: Merger of Avoka Technologies Canada Inc. into Temenos Canada Inc.

**Company struck-off in 2022.

Significant restrictions

Other than those described in note 13, there is no significant restriction on the Group's ability to access or use assets and settle liabilities of the above entities.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

6. Business combinations

There were no acquisitions during the years ended 31 December 2022 and 31 December 2021.

7. Segment information

The Chief Operating Decision Maker (CODM) has been identified as the Group's Chief Executive Officer (CEO). He regularly reviews the Group's operating segments in order to assess performance and to allocate resources.

The CODM considers the business from a product perspective and, therefore, recognizes the reporting segments as: "Product" and "Services". Other representations of the Group's activity such as regional information is also presented to the CODM, but it is not primarily used to review the Group's performance and to make decisions as to how to allocate resources. These two reporting segments are the Group's only operating segments, hence there is no segmental aggregation.

The "Product" segment is primarily engaged in marketing, licensing and maintaining the Group's software solutions, including software development fees for requested functionality, as well as providing hosting and subscription arrangements. The "Services" segment represents various implementation tasks such as consulting and training.

The CODM assesses the performance of the operating segments based on the operating contribution. This measure includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated expenses mainly comprise restructuring costs, termination benefits, acquisition-related costs, share-based payment expenses, office-related expenses and any other administrative or corporate overheads that cannot be directly attributable to the operating segments. Segment revenues provided to the CODM exclude the fair value adjustment recognized on deferred income liabilities acquired in business combinations, if any.

Assets attributed to the reporting segments represent net trade receivables and contract assets (note 14).

The table below summarizes the primary information provided to the CODM:

	Product		Services		Total	
	2022 USD 000	2021 USD 000	2022 USD 000	2021 USD 000	2022 USD 000	2021 USD 000
Revenues	806,766	810,985	142,862	156,017	949,628	967,002
Operating contribution	348,268	398,496	2,608	24,193	350,876	422,689
Total assets	248,691	226,558	86,184	83,961	334,875	310,519

All revenues are generated from contracts with external customers. The Group has a large number of customers and no individual customer contributed more than 10% of the Group's total revenue in the current or prior year.

The accounting policies applied to the reportable segments are the same as the Group's accounting policies described in note 2, with the exception of the fair value adjustment on deferred income liabilities acquired in business combinations, if any.

Intersegment transactions are recognized as part of allocated expenses and are based on internal cost rates that exclude any profit margin.

For goodwill impairment testing purposes, goodwill of USD 1,052.6 million (2021: USD 1,086.4 million) was allocated to the product segment.

	2022 USD 000	2021 USD 000
Reconciliation to Group's consolidated financial statements		
Total operating contribution from the reportable segments	350,876	422,689
Depreciation and amortization (notes 16 and 17)	(138,597)	(144,033)
Unallocated expenses	(48,894)	(40,572)
Finance costs – net (note 11)	(17,422)	(26,568)
Profit before taxation	145,963	211,516



7. Segment information continued

	2022 USD 000	2021 USD 000
Total assets		
Total assets allocated to the reportable segments	334,875	310,519
Unallocated items:		
Other receivables	83,008	75,835
Cash and cash equivalents	89,923	139,322
Other financial assets	77,962	28,755
Property, plant and equipment	63,102	59,415
Intangible assets	1,538,750	1,597,110
Deferred tax assets	44,195	23,128
Total assets per the statement of financial position	2,231,815	2,234,084

Geographical information

	2022 USD 000
Revenues from external customers	
Switzerland (country of the Group's domiciliation)	36,268
United States of America	196,855
Luxembourg	43,262
United Kingdom	41,426
Ireland	35,040
Australia	30,109
Total – material countries	382,960
Middle-East and Africa	207,903
Rest of Asia Pacific	162,764
Rest of Europe	120,338
Rest of Americas	75,663
Total revenues	949,628

	2021 USD 000
Revenues from external customers	
Switzerland (country of the Group's domiciliation)	31,095
United States of America	202,064
United Kingdom	43,896
Australia	43,445
Luxembourg	34,879
Ireland	31,290
Total – material countries	386,669
Middle-East and Africa	194,083
Rest of Europe	162,852
Rest of Asia Pacific	146,262
Rest of Americas	77,136
Total revenues	967,002

Revenues are based on the location where the license and maintenance is sold or the service is provided.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

7. Segment information continued

Non-current assets other than financial instruments and deferred tax assets	2022 USD 000
Switzerland (country of the Group's domiciliation)	250,876
United States of America	631,439
Luxembourg	247,253
Australia	246,484
United Kingdom	68,528
France	60,023
Other countries	97,249
Total	1,601,852

Non-current assets other than financial instruments and deferred tax assets	2021 USD 000
Switzerland (country of the Group's domiciliation)	221,978
United States of America	662,110
Australia	272,402
Luxembourg	267,054
United Kingdom	76,850
France	64,722
Other countries	91,409
Total	1,656,525

8. Revenue from contracts with customers

Future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that were partially unsatisfied or wholly unsatisfied as at the reporting year end is as follows:

	2022			2021		
	Within one year USD 000	More than one year USD 000	Total USD 000	Within one year USD 000	More than one year USD 000	Total USD 000
Revenue expected to be recognized	542,866	1,433,463	1,976,329	552,620	1,394,670	1,947,290

The remaining performance obligations expected to be recognized within one year and more than one year mainly relate to ongoing maintenance contracts.

Contract balances

	2022 USD 000	2021 USD 000
Contract assets	60,071	54,561
Deferred revenue	423,717	397,730

Revenue of USD 328.6 million (2021: USD 281.6 million) was recognized during the year ended 31 December 2022 from the deferred revenue balance included at the beginning of the period.

Revenue of USD 6.8 million (2021: USD 50.2 million) was recognized during the year ended 31 December 2022 from performance obligations satisfied (or partially satisfied) in previous periods.



8. Revenue from contracts with customers continued

Contract costs

The Group has recognized an asset in relation to the costs incurred to obtain and fulfil contracts, which is presented within "Other receivables" on the balance sheet.

	2022 USD 000	2021 USD 000
Assets recognized from costs incurred to fulfil a contract		
Current	3,678	2,725
Non-current	1,620	—
	5,298	2,725

Costs associated with customization developments are recognized in the profit or loss when delivery is performed. Costs for set up of SaaS contracts are recognized over the life of the committed contract with the customer. In 2022, the amount recognized in the profit or loss was USD 1.5 million (2021: USD 1.1 million).

	2022 USD 000	2021 USD 000
Assets recognized from costs to obtain the contract		
Current	6,773	4,022
Non-current	17,118	10,296
	23,891	14,318

Capitalized commission is amortized over the life of the contract committed with the customer, as commissions are driven by the commitment period. In 2022, the amount recognized in the profit or loss was USD 8.9 million (2021: USD 2.9 million).

The Group applies the practical expedient in paragraph 94 of IFRS 15; the incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset, that the Group otherwise would have recognized, is one year or less.

9. Expenses by nature

	2022 USD 000	2021 USD 000
Third party licenses and commissions	60,369	55,898
Personnel costs and external consultants	560,319	530,524
Depreciation, amortization and impairment of intangible assets (notes 16 and 17)	138,597	148,385
Travel expenses	18,398	6,129
Rent and other occupancy costs	7,579	8,750
Marketing and other professional costs	31,990	24,261
Other costs	55,332	45,498
Capitalized development costs (note 17)	(86,341)	(90,527)
	786,243	728,918

10. Employee benefit expenses

	2022 USD 000	2021 USD 000
Wages and salaries	353,986	330,606
Termination benefits	9,629	2,675
Social charges	35,268	43,721
Defined contribution pension costs	8,072	9,345
Defined benefit pension costs (note 23)	5,249	3,709
Cost of employee share option scheme (note 27)	52,701	44,855
	464,905	434,911

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

10. Employee benefit expenses continued

Included in employee benefit expenses is the remuneration of the key management personnel as illustrated below:

	2022 USD 000	2021 USD 000
Key management personnel of TEMENOS AG		
– Short-term cash compensation and benefits	5,573	13,013
– Post-employment benefits	230	305
– Share-based payments	19,934	21,129
	25,737	34,447
Non-Executive Directors		
– Short-term benefits	1,329	807

Remuneration of the Board of Directors and the Executive Committee (together defined as “key management personnel”) in accordance with the Swiss Code of Obligations and the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies can be found in the Compensation Report of the Annual Report.

11. Finance costs – net

	2022 USD 000	2021 USD 000
Finance income:		
– Interest income on bank deposits and short-term investments	517	247
– Interest income on trade and other receivables measured at amortized cost	695	421
– Interest income on convertible notes	1,648	502
– Net gain on derivatives not designated as hedging instruments	—	3,733
– Net fair value gain on convertible notes	6,800	—
– Foreign exchange gain, net	8,130	—
Total finance income	17,790	4,903
Finance costs:		
– Interest expense on financial instruments measured at amortized cost	(21,724)	(21,355)
– Unwinding on interest discount for contingent consideration	(67)	(158)
– Other financing costs*	(6,585)	(5,060)
– Net loss on derivatives not designated as hedging instruments	(6,836)	—
– Foreign exchange loss, net	—	(4,898)
Total finance costs	(35,212)	(31,471)
Finance costs – net	(17,422)	(26,568)

* Other financing costs include among others commitment fees attributable to banking facilities and other expenses related to the issuance and maintenance of any type of financing instruments (note 2.11).



12. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit attributable to equity holders of the Company (USD 000)	114,420	173,370
Weighted average of ordinary shares outstanding during the year (in thousands)	71,673	71,725
Basic earnings per share (USD per share)	1.60	2.42

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the periods presented in these consolidated financial statements, the Group has only one category with a potential dilutive effect: "Instrument granted to employee under share-based payment".

For the periods ended 31 December 2021 and 31 December 2022, this category was fully dilutive.

	2022	2021
Profit used to determine diluted earnings per share (USD 000)	114,420	173,370
Weighted average of ordinary shares outstanding during the year (in thousands)	71,673	71,725
Adjustments for:		
– Share options and restricted shares (in thousands)	284	652
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	71,957	72,377
Diluted earnings per share (USD per share)	1.59	2.40

13. Net debt analysis

	2022 USD 000	2021 USD 000
Cash at bank and in hand (note 2.4)	69,825	101,822
Short-term deposits (note 2.4)	20,098	37,500
Cash and cash equivalents*	89,923	139,322
Borrowings – repayable within one year (note 19)	(204,137)	(211,009)
Borrowings – repayable after one year (note 19)	(636,666)	(748,849)
Cross-currency swaps – hedging instruments (note 15)	13,329	(586)
Gross debt	(827,474)	(960,444)
Net debt	(737,551)	(821,122)

* Included in "cash and cash equivalents" is USD 2.4 million (2021: USD 4.4 million) held in jurisdictions where regulatory exchange controls exist and therefore are not available for general use by the Group outside of such jurisdiction at the reporting date.

The carrying value of cash and cash equivalents approximates their fair value.

Financial Statements
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

13. Net debt analysis continued

Changes in liabilities from financing activities

	Cross currency swaps and interest rate swaps USD 000	Lease liabilities USD 000	Other borrowings USD 000	Gross debt USD 000	Other liabilities* USD 000	Total USD 000
At 31 December 2020	(10,973)	(48,156)	(929,700)	(988,829)	(2,420)	(991,249)
Cash flows from financing activities						
— Net proceeds	—	—	(15,902)	(15,902)	—	(15,902)
— Interest payments	—	—	13,847	13,847	5,833	19,680
— Other financing costs	—	—	—	—	3,847	3,847
— Payments of lease liabilities	—	16,743	—	16,743	—	16,743
Fair value and foreign exchange movement	10,387	1,507	30,736	42,630	—	42,630
Interest on lease liabilities (note 20)	—	(1,212)	—	(1,212)	—	(1,212)
Interest accruals	—	—	(14,623)	(14,623)	(8,479)	(23,102)
Net (additions)/disposals of lease liabilities	—	(13,826)	—	(13,826)	—	(13,826)
Other movements	—	728	—	728	(1,107)	(379)
At 31 December 2021	(586)	(44,216)	(915,642)	(960,444)	(2,326)	(962,770)
Cash flows from financing activities						
— Net proceeds	—	—	97,331	97,331	—	97,331
— Interest payments	—	—	13,461	13,461	9,120	22,581
— Other financing costs	—	—	—	—	3,767	3,767
— Payments of lease liabilities	—	15,992	—	15,992	—	15,992
— Settlement of financial instruments	(2,298)	—	—	(2,298)	(3,806)	(6,104)
Fair value and foreign exchange movement	16,213	2,159	15,138	33,510	12,029	45,539
Interest on lease liabilities (note 20)	—	(1,000)	—	(1,000)	—	(1,000)
Interest accruals	—	—	(12,174)	(12,174)	(9,613)	(21,787)
Net (additions)/disposals of lease liabilities	—	(12,823)	—	(12,823)	—	(12,823)
Other movements	—	971	—	971	(3,801)	(2,830)
At 31 December 2022	13,329	(38,917)	(801,886)	(827,474)	5,370	(822,104)

* Included in "Other payables", "Other financial liabilities" and "Other financial assets".

14. Trade and other receivables

	2022 USD 000	2021 USD 000
Trade receivables	280,575	259,189
Contract assets (note 8)	60,071	54,561
Loss allowance	(5,771)	(3,231)
Trade receivables and contract assets – net	334,875	310,519
VAT and other taxation recoverable	16,607	17,931
Other receivables	8,849	10,998
Prepayments and capitalized contract cost	57,552	46,906
Total trade and other receivables	417,883	386,354
Less non-current portion	(104,410)	(53,876)
Total current trade and other receivables	313,473	332,478



14. Trade and other receivables continued

Trade and other receivables are recognized initially at the transaction price or at fair value if they contain a significant financing component. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures these subsequently at amortized cost using the effective interest method.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned above. The Group's exposure to credit and market risk is disclosed in note 3.2.

Fair values of trade and other receivables qualified as financial assets and measured at amortized cost

	Carrying amount		Fair value	
	2022 USD 000	2021 USD 000	2022 USD 000	2021 USD 000
Current trade and other receivables	274,659	295,868	274,659	295,868
Non-current trade and other receivables	85,672	43,580	76,489	42,787
	360,331	339,448	351,148	338,655

The carrying amount of current trade and other receivables approximate their fair value. The fair value measurement of non current trade and other receivables is based on a discounted cash flow approach using a risk-free yield curve adjusted for credit risk and is within level 2 of the fair value hierarchy.

Movements in the provision for impairment

The allowance account is used for impairment of trade receivables and contract assets.

	Trade receivables and contract assets	
	2022 USD 000	2021 USD 000
Balance at 1 January	3,231	2,875
Increase in loss allowance	3,196	1,761
Utilized	(656)	(1,300)
Exchange gain	—	(106)
Balance at 31 December	5,771	3,231

Included in "Sales and marketing" is USD 3.2 million (2021: USD 1.7 million) impairment loss related to trade receivables and contract assets.

15. Other financial assets and liabilities

	2022		2021	
	Assets USD 000	Liabilities USD 000	Assets USD 000	Liabilities USD 000
Foreign currency forwards – hedging instruments	1,385	6,526	3,880	505
Foreign currency options – hedging instruments	1,162	1,839	567	213
Foreign currency forwards – held-for-trading	2,234	1,506	2,504	600
Cross-currency swaps – hedging instruments	13,329	—	936	1,522
Interest rate swaps – hedging instruments	8,223	—	466	—
Convertible notes (note 3.4)	51,629	—	20,402	—
At 31 December	77,962	9,871	28,755	2,840
Reported as follows:				
Current	35,112	8,293	6,756	2,661
Non-current	42,850	1,578	21,999	179
At 31 December	77,962	9,871	28,755	2,840

The maximum exposure to credit risk at the reporting date is the fair value of the assets as reported in the statement of financial position.

In June 2021, the Group entered into an agreement to purchase a convertible note for USD 19.9 million, with an option to convert into equity. In June and September 2022, the Group purchased additional convertible notes for USD 22.8 million with similar terms. Convertible notes are measured at FVTPL.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

16. Property, plant and equipment

	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Right-of-use assets USD 000	Total USD 000
Year ended 31 December 2022						
Cost						
At 1 January 2022	16,213	656	64,960	1,848	77,677	161,354
Foreign currency exchange differences	(812)	(39)	(4,136)	(189)	(4,179)	(9,355)
Additions	2,725	—	13,584	—	17,876	34,185
Transfer*	—	—	—	—	(6,481)	(6,481)
Retirements/disposals	(876)	(175)	(6,765)	—	(5,787)	(13,603)
31 December 2022	17,250	442	67,643	1,659	79,106	166,100
Depreciation and impairment						
At 1 January 2022	14,223	519	48,509	462	38,226	101,939
Foreign currency exchange differences	(653)	(30)	(2,826)	(48)	(2,307)	(5,864)
Charge for the year	1,138	59	8,171	30	15,506	24,904
Transfer*	—	—	—	—	(6,481)	(6,481)
Retirements/disposals	(861)	(157)	(6,503)	—	(3,979)	(11,500)
31 December 2022	13,847	391	47,351	444	40,965	102,998
Net book value						
31 December 2022	3,403	51	20,292	1,215	38,141	63,102
Year ended 31 December 2021	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Cost						
At 1 January 2021	16,690	665	60,415	1,879	74,543	154,192
Foreign currency exchange differences	(252)	(9)	(1,269)	(31)	(2,375)	(3,936)
Additions	124	—	9,520	—	16,060	25,704
Retirements/disposals	(349)	—	(3,706)	—	(10,551)	(14,606)
31 December 2021	16,213	656	64,960	1,848	77,677	161,354
Depreciation and impairment						
At 1 January 2021	13,046	436	46,261	438	31,081	91,262
Foreign currency exchange differences	(185)	(6)	(974)	(8)	(1,027)	(2,200)
Charge for the year	1,702	89	6,812	32	16,915	25,550
Retirements/disposals	(340)	—	(3,590)	—	(8,743)	(12,673)
31 December 2021	14,223	519	48,509	462	38,226	101,939
Net book value						
31 December 2021	1,990	137	16,451	1,386	39,451	59,415

* The transfer relates to the accumulated depreciation that was eliminated against the gross carrying amount of the remeasured asset as at the modification date.



17. Intangible assets

	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer -related USD 000	Total USD 000
Year ended 31 December 2022					
Cost					
At 1 January 2022	714,830	1,086,394	400,569	323,469	2,525,262
Foreign currency exchange differences	(6,324)	(33,778)	(9,669)	(10,330)	(60,101)
Additions	86,341	—	7,598	—	93,939
31 December 2022	794,847	1,052,616	398,498	313,139	2,559,100
Accumulated amortization and impairment					
At 1 January 2022	501,563	—	252,925	173,664	928,152
Foreign currency exchange differences	(5,289)	—	(8,403)	(7,803)	(21,495)
Charge for the year	63,411	—	34,359	15,923	113,693
31 December 2022	559,685	—	278,881	181,784	1,020,350
Net book value					
31 December 2022	235,162	1,052,616	119,617	131,355	1,538,750
Year ended 31 December 2021					
	USD 000	USD 000	USD 000	USD 000	USD 000
Cost					
At 1 January 2021	633,039	1,122,493	407,317	335,095	2,497,944
Foreign currency exchange differences	(8,736)	(36,099)	(10,116)	(11,626)	(66,577)
Additions	90,527	—	3,368	—	93,895
31 December 2021	714,830	1,086,394	400,569	323,469	2,525,262
Amortization					
At 1 January 2021	442,892	—	225,929	161,419	830,240
Foreign currency exchange differences	(7,099)	—	(8,954)	(8,870)	(24,923)
Charge for the year	61,418	—	35,950	21,115	118,483
Impairment charge*	4,352	—	—	—	4,352
31 December 2021	501,563	—	252,925	173,664	928,152
Net book value					
31 December 2021	213,267	1,086,394	147,644	149,805	1,597,110

* Certain projects that had not been brought into use and were no longer expected to bring future economic benefits were impaired.

An amortization charge of USD 109.6 million (2021: USD 114.3 million) is included in 'Cost of sales'; USD 0.7 million (2021: USD 0.6 million) in 'Sales and marketing'; USD 0.8 million (2021: USD 0.9 million) in 'Other operating expenses'; and USD 2.6 million (2021: USD 2.7 million) in 'General and administrative'.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

17. Intangible assets continued

Impairment tests for goodwill

Management has determined that there are two separate cash-generating units (CGUs), 'Product' and 'Services'. These CGUs have been determined to be the smallest group of assets which generate cash inflows largely independent of cash inflows from other assets within the Group. Goodwill is allocated to the 'Product' CGU, which is the same as the Product reportable segment.

'Product' CGU	2022	2021
Carrying amount (USD 000)	1,052,616	1,086,394
Growth rate	1%	1%
Discount rate	11.10%	9.25%

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget and plan approved by the management covering a four-year period (2021: a four-year period) and then inflated over a perpetual period using the estimated growth rate assigned to the countries where the cash-generating unit operates. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU performs its operations. The perpetuity growth rate and the pre-tax discount rate used in the calculation are presented above.

Budgeted cash flow projections are determined based on the expectation of future client signings of the Group's current pipeline. Budgeted gross margin is in line with our history and takes into consideration market developments and efficiency leverage. The Group is well positioned for growth in future years.

Management believes that any reasonable change in any of the key assumptions described above on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the cash-generating unit.

The discount rate represents the Group's Weighted Average Cost of Capital adjusted for tax effect to determine the pre-tax rate as required by IFRS.

18. Trade and other payables

	2022 USD 000	2021 USD 000
Trade payables	42,214	40,285
Accrued expenses	106,174	118,523
Contingent consideration (note 3.4)	—	2,400
Other payables	23,498	26,662
Total trade and other payables	171,886	187,870

Except for contingent consideration, trade and other payables are initially recorded at fair value and subsequently measured at amortized cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals the contractual amount or the fair value initially recognized.

Contingent consideration was initially and subsequently measured at fair value.

Fair values of trade and other payables qualified as financial liabilities and measured at amortized cost

	Carrying amount		Fair value	
	2022 USD 000	2021 USD 000	2022 USD 000	2021 USD 000
Current trade and other payables	159,357	175,331	159,357	175,331

The carrying amount of current trade and other payables is considered to be at fair value, due to their short-term nature.

The carrying amount of the items measured at fair value as well as their level in the fair value hierarchy is disclosed in note 3.4.



19. Borrowings

	2022 USD 000	2021 USD 000
Current		
Other loans	26	55
Unsecured bonds	191,948	196,499
Lease liabilities	12,163	14,455
	204,137	211,009
Non-current		
Other loans	5	64
Bank borrowings	210,575	123,582
Unsecured bonds	399,332	595,442
Lease liabilities	26,754	29,761
	636,666	748,849
Total borrowings	840,803	959,858

Fair value of borrowings

	Carrying amount		Fair value	
	2022 USD 000	2021 USD 000	2022 USD 000	2021 USD 000
Other loans	31	119	27	116
Bank borrowings	210,575	123,582	209,956	123,534
Unsecured bonds	591,280	791,941	577,465	805,766
	801,886	915,642	787,448	929,416

The fair value measurement of other loans and bank borrowings is based on a discounted cash flow method using observable interest curve adjusted for credit risk and is within level 2 of the fair value hierarchy. The fair value measurement of the bonds represents their dirty price that is derived from their quotation on the SIX Swiss Exchange and is within level 1 of the fair value hierarchy.

The carrying amount of borrowings are denominated in the following currencies:

	2022 USD 000	2021 USD 000
Swiss francs	734,556	894,517
US dollars	79,451	39,732
Other currencies	26,796	25,609
	840,803	959,858

Unsecured bonds

The Group holds the following unsecured bonds:

- CHF 175 million with a coupon of 1.875% paid annually on 30 November. The bond will mature on 30 November 2023 at par and was issued in 2018;
- CHF 150 million with a coupon of 1.75% paid annually on 5 April. The bond will mature on 5 April 2024 at par and was issued in 2017; and
- CHF 220 million with a coupon of 1.50% paid annually on 28 November. The bond will mature on 28 November 2025 at par and was issued in 2019.

Bank facilities

The Group holds a multicurrency committed revolving facility of USD 660 million. The pertinent details are as follows:

- interest expense based on observable risk-free rate plus variable margin, which is calculated by reference to financial covenants;
- the facility terminates on 5 July 2026; and
- commitment fees are due on the undrawn portion.

As at 31 December 2022, a total of USD 210.6 million (2021: USD 123.6 million) was drawn under this agreement.

The facility is subject to financial covenants which have been adhered to during the reported periods.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

20. Leases

The Group primarily leases properties (office space) in the jurisdictions from which it operates. The Group also has leases for equipment and vehicles.

Information about leases for which the Group is a lessee is presented below.

Amounts recognized in the statement of financial position

	2022 USD 000	2021 USD 000
Right-of-use asset		
Property	37,450	38,872
Equipment	26	2
Vehicles	665	577
Total	38,141	39,451
Lease liabilities		
Current	12,163	14,455
Non-current	26,754	29,761
Total	38,917	44,216

Amounts recognized in profit or loss

	2022 USD 000	2021 USD 000
Leases under IFRS 16		
Depreciation charge for right-of-use-assets		
Property	15,123	16,623
Equipment	7	19
Vehicles	376	273
Total depreciation	15,506	16,915
Interest on lease liabilities	1,000	1,212
Expenses relating to short-term leases	615	635
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	121	234
Income from subleasing right-of-use asset	—	1

Amounts recognized in statement of cash flows

The total cash outflow for leases in 2022 was USD 16.0 million (2021: USD 16.7 million).

At 31 December 2022, the commitment on short-term leases was USD nil (2021: USD 0.3 million) which has not been included in the measurement of lease liabilities.

At 31 December 2022, the Group had committed to leases which had not yet commenced. The total future cash outflows for leases not reflected in lease liabilities is USD 0.3 million (2021: USD 0.9 million).

Extension and termination options

Some office property leases contain extension and termination options exercisable at a certain point-in-time of the contract period. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The Group reassesses the likelihood of the option to extend or terminate if a significant event or significant change in circumstances occurs which is within its control.

Covid-19-related rent concessions

The Group has applied the practical expedient to all qualifying rent concessions received as a result of the Covid-19 pandemic. During the year, the Group recognized USD nil (2021: USD 0.1 million) arising from rental discounts to the profit or loss.



21. Taxation

Tax expense

	2022 USD 000	2021 USD 000
Current tax on profits for the year	49,331	26,241
Adjustments in respect of prior years	3,929	16,190
Total current tax	53,260	42,431
Deferred tax – origination and reversal of temporary differences	(21,717)	(4,285)
Total tax expense	31,543	38,146

TEMENOS AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using the effective Swiss statutory corporate tax rate for the Group of 14.0% (2021: 14.0%), is as follows.

	2022 USD 000	2021 USD 000
Profit before tax	145,963	211,516
Tax at the domestic rate of 14.0% (2021: 14.0%)	20,435	29,612
Non-taxable income	(167)	(3,449)
Non-deductible expenses	1,509	4,009
Prior period adjustments ¹	3,929	16,190
Movement in temporary differences related to unprovided deferred tax ²	(15,065)	(631)
Losses not recognized in period ³	3,505	4,858
Unprovided losses utilized ⁴	(4,303)	(24,905)
Effects of different tax rates ⁵	8,993	7,041
Overseas withholding tax ⁶	12,057	4,971
Other tax and credits	650	450
Total tax expense	31,543	38,146

Reconciliation notes:

- Prior period adjustments relate to prior period filings, accounting adjustments and movement in uncertain tax positions.
- Movement in temporary differences related to unprovided deferred tax relates to movements including but not limited to brought forward losses not utilized but recognized in 2022, fixed assets, accounting provisions, retirement benefit obligations and deferred remuneration.
- Losses not recognized in the period relates to current period tax losses which do not meet the criteria for recognition as deferred tax assets and principally relates to UK and UAE.
- Unprovided losses utilized in the period relates to current period tax losses which did not previously meet the criteria to be recognized as deferred tax assets and principally relates to USA and Cyprus in 2022.
- Effects of differing tax rates for the period is higher than the Swiss rate due to income in higher tax jurisdictions, in particular India and Luxembourg.
- Overseas withholding taxes are taxes on payments to and from Temenos entities that would be theoretically available for set-off against Temenos entities corporate income tax profits or tax liabilities.

There is no income tax charge or credit arising relating to components of other comprehensive income, specifically relating to the fair value of financial instruments (2021: USD nil) and a net USD 0.5 million income tax has been credited directly to equity (2021: USD 2.8 million) in relation to deferred remuneration. For the year ended 31 December 2021, this included a USD 2.4 million charge related to a prior period error in accounting treatment.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

21. Taxation continued

Tax expense continued

The movement in the deferred tax is as follows:

	Tax losses USD 000	Intangible assets USD 000	Financial instruments USD 000	Accounting provisions USD 000	Employee benefits USD 000	Other STTDs USD 000	Total USD 000
At 1 January 2021	19,410	(72,002)	(24,958)	(2,056)	752	96	(78,758)
Credited/(charged) to the income statement	(4,272)	11,990	(6,458)	3,816	(752)	(39)	4,285
Foreign currency exchange differences	—	859	557	(224)	—	4	1,196
At 31 December 2021	15,138	(59,153)	(30,859)	1,536	—	61	(73,277)
Credited/(charged) to the income statement	14,121	7,224	4,482	(5,985)	646	1,229	21,717
Foreign currency exchange differences	163	569	(73)	(250)	26	327	762
At 31 December 2022	29,422	(51,360)	(26,450)	(4,699)	672	1,617	(50,798)
Shown in the balance sheet as within:							
Deferred tax asset	27,116	5,852	3,053	6,879	727	568	44,195
Deferred tax liability	2,306	(57,212)	(29,503)	(11,578)	(55)	1,049	(94,993)
Net asset/(liability)	29,422	(51,360)	(26,450)	(4,699)	672	1,617	(50,798)

USD 43.7 million of deferred tax assets are expected to be recovered after more than 12 months (2021: USD 18.2 million).

USD 83.3 million of deferred tax liabilities are expected to be recovered after more than 12 months of (2021: USD 93.0 million).

An assessment of the realizability of deferred tax assets is made on a country-by-country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

The Group has not recognized deferred tax assets of USD 86.5 million (2021: USD 103.2 million) in respect of losses amounting to USD 461.8 million (2021: USD 486.4 million) that can be carried forward against future taxable income. The expiry of these losses is as follows:

	2022 USD m	2021 USD m
Within 5 years	3.3	9.9
Between 5 years and 10 years	0.6	6.1
Between 10 years and 20 years	0.5	0.1
No expiry date	457.4	470.3
	461.8	486.4

2021 comparatives for losses on which deferred tax is not recognized (and temporary differences in relation to the investments in subsidiaries for which deferred tax has not been recognized, below) are re-presented, from amounts presented last year, to align with the basis applied for 2022.

The Group has also not recognized deferred tax assets of USD 1.9 million (2021: USD 7.0 million) in relation to deferred compensation.

At the balance sheet date, the aggregate amount of temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognized was USD 954 million (2021: USD 802 million). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.



22. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Total USD 000
At 1 January 2022	24	1,196	1,277	2,497
Foreign currency exchange differences	—	(84)	(8)	(92)
Increase in provision recognized in profit or loss	80	127	5,644	5,851
Used during the year	—	(11)	(3,477)	(3,488)
Unused amounts reversed during the year	(24)	(60)	(431)	(515)
At 31 December 2022	80	1,168	3,005	4,253

Reported as follows:

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Total USD 000
2022				
Current	80	—	3,005	3,085
Non-current	—	1,168	—	1,168
At 31 December 2022	80	1,168	3,005	4,253
2021				
Current	24	98	1,277	1,399
Non-current	—	1,098	—	1,098
At 31 December 2021	24	1,196	1,277	2,497

Legal provision

The amounts represent provisions for legal claims brought against the Group. The balance at 31 December 2022 is expected to be utilized in 2023. Management believes that the outcome of these claims will not give rise to any significant loss beyond the amounts provided at 31 December 2022.

Property provision

The property provision represents the net present value of estimated future costs associated with dilapidations. Provisions for dilapidations represent the estimated costs to be incurred at the date of exit.

The non-current portion has not been discounted as the effect of the time value was not material.

The non-current portion of USD 1.2 million (2021: USD 1.1 million) relates to dilapidation costs that will be settled when the related leases are terminated, which is not expected to occur within the next 12 months.

Termination benefits

The termination benefits provision represents the benefits payable for the period with no future economic benefits to the Group. The carrying amount has been treated as a non-cash item in the Cash flow statement and is expected to be fully utilized in 2023.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

23. Retirement benefit obligations

The Group has numerous defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the profit or loss when incurred. No assets or liabilities are recognized in the Group's statement of financial position in respect of such plans, apart from prepayments and accruals not settled at the reporting date.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or departing. Such gratuities are based on the amount of the employees' final salary and their length of service. With the exception of India, these plans are unfunded. These plans are categorized as defined benefit plans.

The Group also maintains two defined benefit plans in Switzerland representing the majority of the Group's total defined benefit obligation.

Swiss pension plans entitle retired employees to receive either a capital or an annual pension payment. Final benefit is based on retirement savings accumulated over the working life period of the employees. The plans are administrated by separate funds that are legally separated from the entity. Plans are funded through institutional investments.

Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), which stipulates that pension plans are to be managed by independent and legally autonomous units. Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the LPP specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension funds. In case the plan's statutory funding falls below a certain level, various measures can be taken such as an increase of the current contribution, lowering the interest rate on the retirement account balances or a reduction of the additional prospective benefits. The Group can also make additional restructuring contributions.

The Swiss pension plans are managed and administrated by collective semi-autonomous foundations established by one of the leading insurance companies for pension plans based in Switzerland. The Board of Trustee of each foundation is composed of equal numbers of employee and employer representatives.

One plan selected a foundation whereby the investment strategy and the appropriation of the return are delegated to the fund commission, which is composed of Temenos' representatives and all within the framework set out by the LPP and the Board of Trustee. In this model, the plan directly bears the investment risk. The other plan follows a solution where the investment strategy and the allocation of return are established by the Trustees of the foundation. In this scheme, the investment risk, as well as the return, fall within all the affiliated participants of the foundation. In both plans the risk benefits of disability and death are fully insured by an insurance company.

As all the plans within the Group are not exposed to materially different risks, management has decided not to present additional disaggregation of the disclosures presented below unless explicitly required by IAS 19 'Employee Benefits'.

The amounts recognized in the statement of financial position at 31 December is as follows:

	2022 USD 000	2021 USD 000
Present value of funded obligations	53,334	58,312
Fair value of plan assets	(51,319)	(53,103)
Deficit of funded plans	2,015	5,209
Present value of unfunded obligations	8,561	8,613
Impact of asset ceiling	1,641	—
Net liability in the statement of financial position	12,217	13,822



23. Retirement benefit obligations continued

The movement in the net defined benefit liability over the year is as follows:

	Present value of obligation USD 000	Fair value of plan assets USD 000	Total USD 000	Effect of asset ceiling USD 000	Total USD 000
Balance at 1 January 2022	66,925	(53,103)	13,822	—	13,822
Current service costs	4,047	—	4,047	—	4,047
Past service costs	777	—	777	—	777
Other costs	—	56	56	—	56
Interest expense/(income)	985	(616)	369	—	369
	5,809	(560)	5,249	—	5,249
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	—	5,119	5,119	—	5,119
Actuarial loss (gain) from:					
– Demographic assumptions	(279)	—	(279)	—	(279)
– Financial assumptions	(10,417)	—	(10,417)	—	(10,417)
– Experience adjustments	2,009	—	2,009	—	2,009
– Change in asset ceiling	—	—	—	1,627	1,627
	(8,687)	5,119	(3,568)	1,627	(1,941)
– Exchange differences	(1,775)	1,350	(425)	14	(411)
Contributions:					
– Employers	—	(3,137)	(3,137)	—	(3,137)
– Plan participants	1,006	(1,006)	—	—	—
Payments from/to plans:					
– Benefit paid	(1,383)	18	(1,365)	—	(1,365)
	(2,152)	(2,775)	(4,927)	14	(4,913)
Balance at 31 December 2022	61,895	(51,319)	10,576	1,641	12,217
Balance at 1 January 2021	60,222	(50,414)	9,808	2,285	12,093
Current service costs	3,378	—	3,378	—	3,378
Past service costs	63	—	63	—	63
Other costs	—	56	56	—	56
Interest expense/(income)	636	(424)	212	—	212
	4,077	(368)	3,709	—	3,709
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	—	(5,400)	(5,400)	—	(5,400)
Actuarial loss (gain) from:					
– Demographic assumptions	1,266	—	1,266	—	1,266
– Financial assumptions	(603)	—	(603)	—	(603)
– Experience adjustments	9,011	—	9,011	—	9,011
– Change in asset ceiling	—	—	—	(2,190)	(2,190)
	9,674	(5,400)	4,274	(2,190)	2,084
– Exchange differences	(1,715)	1,546	(169)	(95)	(264)
Contributions:					
– Employers	—	(3,800)	(3,800)	—	(3,800)
– Plan participants	1,028	(1,028)	—	—	—
Payments from/to plans:					
– Benefit paid	(6,361)	6,361	—	—	—
	(7,048)	3,079	(3,969)	(95)	(4,064)
Balance at 31 December 2021	66,925	(53,103)	13,822	—	13,822

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

23. Retirement benefit obligations continued

The defined benefit obligation is calculated using the projected unit credit method. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions primarily regarding discount rates and projected rates of remuneration growth. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or government bonds in countries where there is not a deep market in corporate bonds.

Plan assets comprise:

	2022	2021
Equity securities:		
– Quoted	27%	28%
Fixed income securities:		
– Quoted	23%	22%
Real estate	25%	24%
Insurance contracts	21%	14%
Cash and cash equivalents	1%	4%
Other	3%	8%
	100%	100%

The governance of the plans annually performs an asset-liability assessment as well as a review of the investment strategies. The objectives are to select an appropriate asset allocation to match future cash outflows, to ensure an appropriate diversification of the invested assets as well as maximizing the return/risk profiles.

Actuarial assumptions:

These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk, demographic risk and market risk (investment risk).

Actuarial assumptions are based on the requirement set out by IAS 19 'Employee Benefits'. They are unbiased and mutually compatible estimates of variables that determine the ultimate cost of providing post-employment benefits. They are based on market expectations at the reporting date for the period over which the obligations are to be settled. They are set on an annual basis by independent actuaries.

Actuarial assumptions consist of demographic assumptions such as employee turnover, disability, mortality and financial assumptions such as interest rates, salary growth and consumer price inflation. The actuarial assumptions vary based upon local economic and social conditions.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022	2021
Discount rate	3.38%	1.61%
Future salary growth	2.75%	2.40%

Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	2022		
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(2,829)	3,099
Future salary growth	0.50%	701	(684)
		2021	
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(3,723)	4,159
Future salary growth	0.50%	921	(884)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur since some of the assumptions are correlated. The sensitivity analysis has been calculated using the same methodology as applied when determining the pension liability in the statement of financial position.



23. Retirement benefit obligations continued

Sensitivity analysis continued:

Expected contributions to funded post-employment defined benefit plans for the year ending 31 December 2023 are USD 1.1 million.

Expected benefit payments paid directly by the Group in respect of unfunded post-employment defined benefit plans for the year ending 31 December 2023 are USD 0.9 million.

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 10 years (2021: 12 years).

24. Share capital

As at 31 December 2022, the issued shares of TEMENOS AG comprised 74,935,760 ordinary shares with a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2022 are summarized below:

	Number
Total number of shares issued as at 31 December 2021	74,742,268
Treasury shares	(3,164,632)
Total number of shares outstanding as at 31 December 2021	71,577,636
Creation of new ordinary shares out of conditional capital for share-based payment transactions	193,492
Total number of shares outstanding as at 31 December 2022	71,771,128

As at 31 December 2022 the number of treasury shares held by the Group amounted to 3,164,632 (2021: 3,164,632).

TEMENOS AG also has conditional and authorized capital, comprising:

	Number
Authorized shares available until 20 May 2023	7,100,000
Conditional shares that may be issued on the exercise of share-based payment transactions	2,914,164
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

25. Share premium and other reserves

	Share premium USD 000	Employee share options reserve USD 000	Discount on shares issued to employees USD 000	Negative premium arising on creation of Temenos Group AG USD 000	Total USD 000
Balance at 1 January 2021	749,571	290,562	(1,231,500)	(68,456)	(259,823)
Cost of share options (note 27)	—	44,855	—	—	44,855
Exercise of share-based payment transactions	77,999	—	(80,931)	—	(2,932)
Costs associated with equity transactions	(430)	—	—	—	(430)
Balance at 31 December 2021	827,140	335,417	(1,312,431)	(68,456)	(218,330)
Cost of share options (note 27)	—	52,701	—	—	52,701
Exercise of share-based payment transactions	15,822	—	(16,821)	—	(999)
Costs associated with equity transactions	(9)	—	—	—	(9)
Balance at 31 December 2022	842,953	388,118	(1,329,252)	(68,456)	(166,637)

Share premium

The share premium account comprises the following:

- premium on issuance of new shares at a price above par value;
- the equity component determined at the issuance of the convertible bond in 2006 and the premium resulting from the early redemption which occurred in 2010;
- expenses associated with equity transactions; and
- gains or losses on the sale, issuance or cancellation of treasury shares.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

25. Share premium and other reserves continued

Share options reserve

As detailed in note 27, the Group has issued instruments to employees. The fair value of these instruments are charged to the profit or loss over the period that the related service is received, with a corresponding credit made to the share options reserve.

Discount on shares issued to employees

As detailed in note 27, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfils its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the Group in respect of these shares issued or reissued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees reserve.

Negative premium arising on creation of TEMENOS AG

TEMENOS AG was incorporated on 7 June 2001. The issued and outstanding shares of TEMENOS Holdings Limited (previously known as TEMENOS Holdings NV) were exchanged shortly before the initial public offering for TEMENOS AG shares, thus rendering TEMENOS Holdings Limited a wholly owned subsidiary of TEMENOS AG. The number of shares acquired was 40,104,336, which prior to the exchange had a nominal value of USD 0.001 per share, totaling USD 0.04 million. The new shares in TEMENOS AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113.5 million. Expenses related to the initial public offering of TEMENOS AG and share premium items arising prior to the creation of TEMENOS AG were recorded against this account.

A deficit of USD 62.3 million was recorded to the share premium reserve on the cancellation of shares repurchased in 2000. This was transferred into "negative premium arising on creation of TEMENOS AG" during the period ended 31 December 2001.

26. Other equity

	Cumulative translation adjustment USD 000	Costs of hedging reserve USD 000	Cash flow hedge reserve USD 000	Total USD 000
Balance at 1 January 2021	(177,486)	(86)	(2,279)	(179,851)
Interest rate risk				
Changes in fair value of hedging instruments	—	—	466	466
Foreign currency risk				
Currency translation differences	(1,973)	—	—	(1,973)
Transfer to profit or loss within "Personnel costs"	—	—	(2,644)	(2,644)
Transfer to profit or loss within "Software licensing revenue"	—	—	81	81
Transfer to "Deferred revenues"	—	—	(1,126)	(1,126)
Transfer to profit or loss within "Finance costs"	—	—	(7,175)	(7,175)
Interest payment from cross-currency swaps	(92)	—	—	(92)
Changes in fair value of hedging instruments	871	76	15,980	16,927
Balance at 31 December 2021	(178,680)	(10)	3,303	(175,387)
Interest rate risk				
Changes in fair value of hedging instruments	—	—	11,633	11,633
Transfer to profit or loss within "Finance costs"	—	—	(380)	(380)
Foreign currency risk				
Currency translation differences	(29,120)	—	—	(29,120)
Transfer to profit or loss within "Personnel costs"	—	—	4,616	4,616
Transfer to profit or loss within "Software licensing revenue"	—	—	(786)	(786)
Transfer to "Deferred revenues"	—	—	(7,619)	(7,619)
Transfer to profit or loss within "Finance costs"	—	—	(2,899)	(2,899)
Interest payment from cross-currency swaps	(1,714)	—	—	(1,714)
Changes in fair value of hedging instruments	11,727	(460)	(1,876)	9,391
Balance at 31 December 2022	(197,787)	(470)	5,992	(192,265)



26. Other equity continued

Cumulative translation reserve

It includes the foreign currency differences arising from the translation of foreign operations' financial statements into US dollars as well as the effective portion of the hedging instruments in a net investment hedge.

Costs of hedging reserve

It includes the fair value change of the time value of options and the currency basis spreads of cross-currency swaps when they are separated from the designation of the hedging instrument.

Cash flow hedge reserve

It is used to recognize the effective portion of the cumulative gain or loss on the hedging instrument in a cash flow hedge relationship that is not yet recognized either in the profit or loss or as part of the carry amount of a non-financial asset or a non-financial liability.

27. Share-based payments

Share appreciation rights

Share appreciation rights (SARs) are granted to executive board members and selected employees. Share appreciation rights are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative non-IFRS earnings per share, non-IFRS Product revenues, bookings and free cash flow targets. In case of over achievement of targets, certain share appreciation right grants may be increased by a maximum of 75% of the original grant for the SARs issued in 2021 and 2022, a maximum of 40% for SARs issued prior. One individual had a special plan that vested at 250% in 2022 for delivery of specific KPIs. The vesting period for unvested share appreciation rights is a minimum of three years and the share appreciation rights have a maximum contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

A summary of the movement in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	4,047,594	\$ 134.11	4,204,443	\$ 118.25
Granted during the year	1,486,786	\$ 88.99	1,364,400	\$ 144.68
Net over/(under) achievement relating to vesting of 2019 (2018) grants	(272,914)	\$ 138.49	(97,385)	\$ 169.72
Forfeited during the year	(533,808)	\$ 144.56	(527,292)	\$ 148.81
Exercised during the year	(108,102)	\$ 38.50	(896,572)	\$ 67.87
Outstanding at the end of the year	4,619,556	\$ 120.36	4,047,594	\$ 134.11

1,342,135 of the outstanding share appreciation rights (2021: 1,042,329) were exercisable at the balance sheet date with a weighted average exercise price of USD 112.72 (2021: USD 93.38). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 98.20 (2021: USD 150.81).

As described above, in case of over achievement of targets, certain share appreciation rights granted in 2020 may be increased by a maximum of 75% of the original grant. However, the achievement for 31 December 2022 for the 2020 annual SAR plan was less than target: 46.67% of the SARs vested on 20 February 2023. Including exceptional acquisition plans which underachieved, the total number of SARs forfeited in 2023 is 386,591. There are 1,317,180 remaining share appreciation rights (2021: 3,005,265) that may be subject to the over achievement provisions in the future with a weighted average exercise price of USD 125.07 (2021: USD 148.24).

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

27. Share-based payments continued

Share appreciation rights continued

Share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

Exercise price	2022	
	Number	Remaining contractual life (years)
\$10 – \$19.99	41,636	0.16
\$30 – \$39.99	68,023	1.93
\$40 – \$49.99	52,622	3.13
\$50 – \$59.99	545,541	9.21
\$60 – \$69.99	3,634	3.95
\$70 – \$79.99	127,502	4.50
\$80 – \$89.99	11,458	8.41
\$90 – \$99.99	126,634	5.56
\$100 – \$109.99	843,450	9.13
\$110 – \$119.99	48,000	7.19
\$120 – \$129.99	488,985	4.50
\$130 – \$139.99	497,559	5.33
\$140 – \$149.99	1,000,380	7.50
\$150 – \$159.99	69,200	8.51
\$160 – \$169.99	694,932	7.06
	4,619,556	7.06

Exercise price	2021	
	Number	Remaining contractual life (years)
\$10 – \$19.99	99,917	0.95
\$30 – \$39.99	70,023	2.91
\$40 – \$49.99	52,622	4.13
\$50 – \$59.99	58,928	4.56
\$60 – \$69.99	3,634	4.95
\$70 – \$79.99	164,387	5.13
\$80 – \$89.99	2,394	5.24
\$100 – \$109.99	1,197	5.75
\$110 – \$119.99	48,000	8.19
\$120 – \$129.99	577,713	5.44
\$130 – \$139.99	813,120	6.83
\$140 – \$149.99	1,260,800	8.97
\$150 – \$159.99	84,000	9.51
\$160 – \$169.99	810,859	8.17
	4,047,594	7.29

Fair value of stock options and share appreciation rights

The fair value of options and share appreciation rights granted during the period is determined using an 'Enhanced American Pricing Model'.

The weighted average fair value of share appreciation rights granted during the period was USD 22.47 (2021: USD 35.50). The significant inputs into the model were: weighted average share price at grant date of USD 88.92 (2021: USD 143.55), weighted average exercise price of USD 88.92 (2021: USD 143.53), standard deviation of expected share price returns of 35% (2021: 34%), weighted average option lives of 3.50 years (2021: 3.54 years), weighted average annual risk-free interest rate of 2.89% (2021: 0.56%) and weighted average expected dividend yield of 1.31% (2021: 0.73%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period.



27. Share-based payments continued

Restricted Shares (RSU and short-term incentive)

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	281,376	34,038
Granted during the year	226,701	290,660
Forfeited during the year	(16,956)	(9,574)
Transferred during the year	(128,162)	(33,748)
Outstanding at the end of the year	362,959	281,376

For the year ended 31 December 2022, a specific short-term incentive plan was in place for the Executive Chairman, Executive Committee and certain senior management. They were given specific bonus targets at the beginning of the year and offered a choice of receiving the final bonus fully in cash or 50% in cash and 50% in deferred shares with a 20% uplift. In 2022, 8,940 (2021: 12,083) deferred shares were committed under the scheme. All were forfeited in 2023 following the approval of the 31 December 2022 results. 178 shares of the 2021 grant were forfeited following the approval of 31 December 2021 results and 721 shares of the 2020 grant vested in March 2022.

Other senior staff who fall under the Employee Short Term Variable Plan are paid 50% of their bonus in cash and 50% in shares with a 20% uplift. In 2022, 54,862 deferred shares (2021: none) were committed under this scheme for the bonus relating to the financial year 2021. 2,110 STI shares were forfeited in 2022 due to employees leaving prior to vesting. The remaining 52,752 shares will vest on 1 March 2023, subject to continued service.

105,264 (2021: 278,577) Restricted Share Units (RSUs) have been granted to senior employees to reward their contribution and loyalty to Temenos. Vesting period varied depending on the circumstance. 14,668 shares granted in 2021 were forfeited in 2022 due to employees leaving prior to vesting. 88,540 shares vested during 2022. 57,635 RSUs have been granted to senior staff during 2022 as a sign-on bonus in lieu of financial advantages that they were forfeiting at their previous employer. 38,901 shares vested in 2022. Of the remaining shares granted in 2022, these will vest as follows: 77,967 in 2023, 23,531 shares in 2024 and a further 22,500 shares in 2025.

Performance Share Units

	2022 Number of shares
Outstanding at the beginning of the year	—
Granted during the year	277,113
Forfeited during the year	(17,850)
Transferred during the year	—
Outstanding at the end of the year	259,263

In 2022, we introduced Performance Share Units (PSUs). PSUs are granted to executive board members and selected employees. They are conditional on the employee completing a specified period of service and are only vested if the Group achieves specified cumulative Non-IFRS Bookings, Non-IFRS Earnings Per Share and free cash flow targets. In case of over achievement of targets, certain PSU grants may be increased by a maximum of 75% of the original grant for the PSUs. The vesting period for unvested PSUs is three years. The Group has no legal or constructive obligation to repurchase or settle the PSUs in cash.

Expense

The total expense recorded in the income statement in respect of share appreciation rights and the short-term incentive share plan is USD 52.7 million (2021: USD 44.9 million).

28. Dividend per share

Dividends are proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2022 financial year amounts to CHF 79.0 million (CHF 1.10 per share) and has not yet been recorded as a liability. This amount may vary depending on the number of shares outstanding as of the ex-dividend date.

A dividend of CHF 71.6 million (USD 74.4 million, CHF 1 per share) was paid in 2022 relating to the 2021 financial year.

**Financial Statements****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** continued

31 December 2022

29. Commitments and contingencies

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business. The Group is also involved in various lawsuits, claims (including acceptance of mediation claims), investigations and proceedings incidental to the normal conduct of its operations. These matters also include any ongoing tax audits and assessments.

Although an estimate of the future financial effects cannot be reliably and precisely estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 22.

As at 31 December 2022, total guarantees in issue were USD 8.9 million (2021: USD 9.6 million).

30. Related party transactions and balances

See note 10 for remuneration of Executive and Non-Executive Directors. See note 27 for equity compensation for Executive and Non-Executive Directors granted in the form of options, SARs and shares.

There were no other significant transactions with related parties during the years ended 31 December 2022 and 31 December 2021.

31. Events after the reporting period

There are no reportable events that occurred after the reporting period.



Report of the statutory auditor

to the General Meeting of Temenos AG

Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Temenos AG (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 13'500'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as a benchmark to determine the overall materiality as we consider total assets to be the most appropriate measure for a holding company and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 675'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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**Financial Statements****Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon. The other information in the annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and



appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.



Financial Statements

PricewaterhouseCoopers SA

Yazen Jamjum
Licensed audit expert
Auditor in charge

Hamza Benhlal

Geneva, 23 February 2023

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings





UNCONSOLIDATED BALANCE SHEET

As at 31 December 2022

	2022 CHF 000	2021 CHF 000
Assets		
Current assets		
Liquid funds	209	560
Receivables from other Group entities	25,860	18,446
Tax receivable	257	92
Other financial assets	20,049	—
Prepayments	682	433
Total current assets	47,057	19,531
Non-current assets		
Long-term receivables from other Group entities	1,273,764	1,494,406
Investments in subsidiaries (note 2)	1,415,522	1,415,522
Other financial assets	23,648	18,626
Total non-current assets	2,712,934	2,928,554
Total assets	2,759,991	2,948,085
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	3,043	1,315
Payables to other Group entities	284,594	182,704
Short-term interest-bearing liabilities (note 7)	177,507	179,394
Other liabilities	4,135	3,941
Tax payable	551	80
Total current liabilities	469,830	367,434
Non-current liabilities		
Long-term interest-bearing liabilities (note 7)	369,291	543,609
Long-term interest-bearing payables to other Group entities	52,600	114,642
Total non-current liabilities	421,891	658,251
Shareholders' equity		
Share capital (note 3)	374,679	373,711
Ordinary legal reserve (note 4)	51,080	50,966
Share premium (note 4)	819,334	804,011
Reserve for treasury shares (note 4)	358,135	358,135
Retained earnings (note 4)	328,902	399,437
Treasury shares (note 5)	(63,860)	(63,860)
Total shareholders' equity	1,868,270	1,922,400
Total shareholders' equity and liabilities	2,759,991	2,948,085

**Financial Statements****UNCONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2022

	2022	2021
	CHF 000	CHF 000
Financial income	5,134	6,532
Expenses associated with the maintenance of the Register of Shareholders and other expenses	(3,102)	(4,405)
Profit before taxation	2,032	2,127
Taxation	(812)	164
Profit of the year	1,220	2,291



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. Legal status and principal activities

Temenos AG (the "Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001, the shares of Temenos AG have been publicly traded on the SIX Swiss Exchange. The registered office is located at 2 Rue de L'Ecole-de-Chimie, 1205 Geneva, Switzerland.

Temenos AG is the ultimate holding company of the Group and is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of Temenos AG comply with the requirements of the Swiss Accounting Legislation (Title 32 of the Swiss Code of Obligations (SCO)).

Valuation principles

Assets are valued at no more than their acquisition cost.

Investments in subsidiaries are valued individually except when they are combined due to their similarity in terms of activities, financial interconnection, or grouped as an economic unit for valuation purposes.

Other investments are initially recognized at cost, then assessed annually and, in case of impairment, adjusted to their recoverable amount.

Treasury shares are valued at historical acquisition cost without subsequent valuation adjustment.

Upon disposal, the cost of treasury shares is determined using the FIFO method except if the specific identification method represents more faithfully the cost of the disposed shares. This would only be the case in limited circumstances where the disposed shares can be specifically identified (for example, if the shares are specifically purchased with the intention of being disposed of shortly thereafter). The resulting gains and losses on all disposals of treasury shares are recorded directly in equity.

Liabilities are valued at nominal value.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable at the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement, except unrealized gains that are deferred on balance sheet as per the Swiss Code of Obligations.

2. List of direct subsidiaries

The following are the direct subsidiaries of the Company, which are wholly owned unless otherwise indicated (percentage of voting rights):

	Voting rights
Temenos Holdings Limited, British Virgin Islands (holding company) 40,105 shares of a nominal value of USD 1 each.	100%
Temenos Headquarters SA, Switzerland (holding and licensing company) 1,000 shares of a nominal value of CHF 100 each.	100%
Temenos Investments BV, Netherlands (holding company) 180 shares of a nominal value of EUR 100 each.	100%
Temenos Egypt LLC, Egypt (operating company) 1 share of a nominal value of EGP 100.	50%
Temenos Luxembourg SA, Luxembourg (operating company) 47,250 shares of a nominal value of EUR 25 each.	100%
Temenos Finance Luxembourg SARL, Luxembourg (financing company) 37,500 shares of a nominal value of EUR 1 each.	100%
Temenos USA Inc., USA (operating company) 100 shares of a nominal value of USD 0.01 each.	100%
Temenos Panama SA, Panama (dormant company) 100 shares of a nominal value of USD 100 each.	100%



Financial Statements

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

3. Share capital

As at 31 December 2022, the issued share capital amounts to CHF 374,678,800 and comprises 74,935,760 shares with a nominal value of CHF 5.

The shares issued by the Company during the year are set out below:

	2022		2021	
	Quantity	Value in CHF	Quantity	Value in CHF
Total number of Temenos AG shares issued, as at 1 January	74,742,268	373,711,340	74,206,266	371,031,330
Shares issued and allotted under Employee Share Option Schemes	193,492	967,460	536,002	2,680,010
Total number of Temenos AG shares issued, as at 31 December	74,935,760	374,678,800	74,742,268	373,711,340

Temenos AG also has conditional and authorized capital, comprising:

	2022
Authorized shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 20 May 2023)	7,100,000
Conditional shares that may be issued on the exercise of employee share options	2,914,164
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all registered shares, as at 31 December 2022 are as follows:

	Shares 2022
Martin and Rosmarie Ebner	10.30%
BlackRock Inc.	4.98%
Baillie Gifford & Co	4.66%
FIL Limited	3.19%
UBS Fund Management (Switzerland) AG	3.07%
Invesco Ltd	3.04%



4. Share premium and capital reserves

	Share capital CHF 000	Ordinary legal reserve CHF 000	Share premium CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Treasury shares CHF 000	Total CHF 000
Balance at 1st January 2021	371,031	50,603	732,422	21,600	231,656	564,872	(21,720)	1,798,111
Appropriation of available earnings:								
– to General legal reserve	—	246	—	—	—	(246)	—	—
Repayment of “General Reserve from Capital Contributions” and distribution of an ordinary dividend in cash as per 2021 Annual General Meeting (AGM) resolution	—	117	—	(21,600)	—	(42,966)	—	(64,449)
Share capital and share premium on creation of conditional capital	2,680	—	71,589	—	—	—	—	74,269
Acquisition of treasury shares	—	—	—	—	—	—	(224,413)	(224,413)
Disposal of treasury shares	—	—	—	—	—	—	182,273	182,273
Gain from disposal of treasury shares	—	—	—	—	—	1,965	—	1,965
Reserve for treasury shares movement of the year	—	—	—	—	126,479	(126,479)	—	—
Profit of the year	—	—	—	—	—	2,291	—	2,291
Balance at 31 December 2021	373,711	50,966	804,011	—	358,135	399,437	(63,860)	1,922,400
Appropriation of available earnings:								
– to General legal reserve	—	115	—	—	—	(115)	—	—
Distribution of an ordinary dividend in cash as per 2022 Annual General Meeting (AGM) resolution	—	—	—	—	—	(71,641)	—	(71,641)
Share capital and share premium on creation of conditional capital	967	—	15,323	—	—	—	—	16,291
Profit of the year	—	—	—	—	—	1,220	—	1,220
Balance at 31 December 2022	374,679	51,080	819,334	—	358,135	328,902	(63,860)	1,868,270

The reserve for treasury shares amounts to CHF 358,134,688 in line with the value of treasury shares held by Temenos AG through a subsidiary as at 31 December 2022 (2021: CHF 358,134,688).

5. Treasury shares, including shares held by subsidiaries (carrying value)

Temenos AG holds directly or through a subsidiary a total of 3,164,632 shares at 31 December 2022 (2021: 3,164,632) that entirely may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Schemes.

	2022		2021	
	Quantity	Value in CHF 000	Quantity	Value in CHF 000
Temenos AG				
January 1	600,000	63,860	200,000	21,720
Acquisitions	—	—	1,760,365	224,413
Disposals	—	—	(1,360,365)	(182,273)
December 31	600,000	63,860	600,000	63,860
Other consolidated companies				
January 1	2,564,632	358,135	1,604,267	231,656
Acquisitions	—	—	1,360,365	184,239
Disposals	—	—	(400,000)	(57,760)
December 31	2,564,632	358,135	2,564,632	358,135
Total balance as of 31 December	3,164,632	421,995	3,164,632	421,995

Financial Statements

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

6. Contingent liabilities

Together with several of its subsidiaries, Temenos AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg Sarl as borrower, for a maximum total amount up to USD 660 million.

7. Bonds issued by Temenos AG

In April 2017, the Group issued a senior unsecured bond with a nominal value of CHF 150 million and a coupon rate of 1.75% paid annually on 5 April. The bond will mature on 5 April 2024 at a redemption price of 100% of the principal amount.

In November 2018, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 1.875% paid annually on 30 November. The bond will mature on 30 November 2023 at a redemption price of 100% of the principal amount.

In November 2019, the Group issued a senior unsecured bond with a nominal value of CHF 220 million and a coupon rate of 1.50% paid annually on 28 November. The bond will mature on 28 November 2025 at a redemption price of 100% of the principal amount.

In June 2022, the Group repaid the senior unsecured bond issued in June 2015 with a nominal value of CHF 175 million and a coupon rate of 2.00%. The redemption price was 100% of the principal amount.

	2022 CHF 000	2021 CHF 000
Bond CHF 150,000,000 – 1.750% – 5 April 2017-5 April 2024	149,868	149,754
Bond CHF 175,000,000 – 1.875% – 30 November 2018-30 November 2023	—	174,632
Bond CHF 220,000,000 – 1.500% – 28 November 2019-28 November 2025	219,423	219,223
Long-term interest-bearing liabilities	369,291	543,609
Bond CHF 175,000,000 – 2.000% – 17 June 2015-17 June 2022	—	174,968
Bond CHF 175,000,000 – 1.875% – 30 November 2018-30 November 2023	171,407	—
Accrued bond interests at year end	6,100	4,426
Short-term interest-bearing liabilities	177,507	179,394
Total bonds issued by Temenos AG	546,798	723,003

8. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2022, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 1.10 per share, for a total amount of CHF 79,000,000 (this amount may vary depending on the number of treasury shares and of shares created out of the conditional capital as of the ex-dividend date).

	2022 CHF 000	2021 CHF 000
Retained earnings		
Retained earnings carried forward	327,682	521,660
Net result for the year	1,220	2,291
Gain from disposal of treasury shares	—	1,965
Retained earnings available to the general meeting	328,902	525,916
Allocation to general legal reserve	(61)	(115)
Allocation to reserve for treasury shares	—	(126,479)
Dividend distributed to shareholders	(79,000)	(71,641)
Retained earnings to be carried forward	249,841	327,682

* 2021 comparative has been updated from CHF 71,600,000 to CHF 71,640,775 to reflect the actual payment made in 2022. The dividend paid was CHF 1.00 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 5 May 2023 (Ex date). The dividend record date will be set on 8 May 2023 (Record date). The dividend will be payable as of 9 May 2023 (Payment date).

Temenos treasury shares are not entitled to dividends.

9. Number of full-time equivalent

Temenos AG does not have any employees as of 31 December 2022 and 2021 and consequently no pension liabilities.



10. Additional information, cash flow statement and Management Report

According to article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the cash flow statement and the Management Report are not presented, as Temenos AG prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

11. Significant events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 20 February 2023 and will be submitted to the Annual General Meeting of shareholders for approval on 3 May 2023.

There were no other significant events after the balance sheet date.

12. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO)

Non-Executive Directors

Name	Position	31 December 2022 Number of shares	31 December 2021 Number of shares
T. de Tersant	Vice-Chairman	9,000	3,000
H. Akbari ¹	Member	1,460	100
M. Carli	Member	1,000	1,000
I. Cookson	Member	17,400	16,000
E. Hansen	Member	2,500	2,500
P. Spenser ¹	Member	1,800	950
J. Benson ¹	Member	360	360
D. Forster	Member	—	n/a
C. Hultén	Member	—	n/a

1 Homaira Akbari, Peter Spenser and Jim Benson held shares in the form of American depository receipts (ADRs).

Executive Chairman and Executive Committee members

Name	Position as at 31 December 2022 (or at date of leaving Executive Committee if earlier)	As at 31 December			
		Number of shares 2022	Number of unvested RSUs/ PSUs 2022	Number of shares 2021	Number of unvested RSUs 2021
A. Andreades	Executive Chairman	846,752	—	796,752	—
M. Chuard	CEO	75,000	8,284 ¹	75,000	3,636 ¹
P. Spiliopoulos	CFO	—	—	—	—
P. Varadhan	CPTO	1,448	5,319 ²	n/a	n/a
J. Tipper	CPO	—	3,082 ³	n/a	n/a
C. Jarrett	CCDO	2,138	4,650	2,138	—
M. Häring	CMO	n/a	n/a	—	—
M. Winterburn	CPTO	n/a	n/a	3,975	—
A. Guenoun	COO	n/a	n/a	1,368	—
P. Barnett	President of Strategic Growth	n/a	n/a	3,000	—
D. Dempsey	CLO	n/a	n/a	2,086	1,138
J.P. Mergeai	President International Sales	n/a	n/a	7,898	—
J. White	President of the Americas	n/a	n/a	—	—

1 Max Chuard received 3,636 shares for the 2021 STI scheme. Of those, 3,552 were realized based on achievement of KPIs. They will vest on 1 March 2023. Max Chuard received 4,732 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.

2 Prema Varadhan received 1,369 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.

3 Jayde Tipper received 782 shares for the 2022 STI scheme. Of those, zero were realized based on achievement of KPIs and were forfeited in February 2023.

Financial Statements
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS continued

31 December 2022

12. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO) continued

Executive Chairman and Executive Committee members continued

Name	Position as at 31 December 2022 (or at date of leaving Executive Committee if earlier)	Grant year	Plan	Exercise price USD	Number of vested SARs	Number of unvested SARs	Number of vested SARs	Number of unvested SARs
					31 December 2022	31 December 2022	31 December 2021	31 December 2021
A. Andreades	Executive Chairman	2018	2018 scheme	127.00	135,203	—	135,203	—
		2019	2019 scheme ¹	136.94	83,160	—	—	138,600
		2020	2020 scheme ²	168.81	—	131,800	—	131,800
		2021	2021 scheme	143.54	—	144,700	—	144,700
		2022	2022 scheme	107.65	—	186,700	—	—
M. Chuard	CEO	2018	2018 scheme	127.00	117,793	—	117,793	—
		2019	2019 scheme ¹	136.94	100,851	—	—	168,085
		2020	2020 scheme ²	168.81	—	159,850	—	159,850
		2021	2021 scheme	143.54	—	175,500	—	175,500
		2022	2022 scheme	107.65	—	226,400	—	—
P. Spiliopoulos	CFO	2019	2019 scheme ¹	147.43	42,000	—	—	70,000
		2020	2020 scheme ²	168.81	—	72,000	—	72,000
		2021	2021 scheme	143.54	—	79,000	—	79,000
		2022	2022 scheme	107.65	—	107,100	—	—
C. Jarrett ³	CCDO	2020	2020 scheme ²	168.81	—	25,000	—	25,000
		2021	2021 scheme	143.54	—	15,000	—	15,000
		2022	2022 scheme	107.65	—	18,150	—	—
P. Varadhan ³	CPTO	2022	2022 scheme	107.65	—	15,400	n/a	n/a
J. Tipper ³	CPO	2022	2022 scheme	107.65	—	9,050	n/a	n/a
P. Barnett ³	President Strategic Growth	2021	2021 scheme	143.54	n/a	n/a	—	15,000
D. Dempsey ³	CLO	2021	2021 scheme	143.54	n/a	n/a	—	15,000
A. Guenoun ³	COO	2019	2019 scheme ¹	136.94	n/a	n/a	—	37,000
		2020	2020 scheme ²	168.81	n/a	n/a	—	50,000
		2021	2021 scheme	143.54	n/a	n/a	—	79,800
M. Häring	CMO	2021	2021 scheme	160.20	n/a	n/a	—	37,500
		2022	2022 scheme	107.65	n/a	n/a	—	—
J.P. Mergeai ³	President International Sales	2021	2021 scheme	143.54	n/a	n/a	—	53,000
				156.81	n/a	n/a	—	5,000
J. White	President of the Americas	2021	2021 scheme	143.54	n/a	n/a	—	43,100
M. Winterburn	CPTO	2018	2018 scheme	127.00	n/a	n/a	30,000	—
		2019	2019 scheme ¹	136.94	n/a	n/a	—	41,000
		2020	2020 scheme ²	168.81	n/a	n/a	—	55,000
		2021	2021 scheme	143.54	n/a	n/a	—	55,000

1 The SARs granted under the 2019 scheme vested on 14 February 2022. The final vesting was at 60%. The numbers above were reduced by 40% in 2022.

2 The SARs granted under the 2020 scheme vested on 20 February 2023. The final vesting was at 46.67%. The numbers above will be reduced by 53.33% in 2023.

3 The SARs shown above only include SARs granted during their membership of the Executive Committee.

No options and/or shares were held on 31 December 2022 and 2021 by persons related to the members of the Board of Directors or the Executive Committee.

n/a is noted where the member is not a member at the respective 31 December, hence status not disclosed.



FINANCIAL HIGHLIGHTS

(in millions of US dollars except earnings per share)

	2022	2021	2020	2019	2018
Revenues	949.6	967.0	887.4	972.0	840.9
Operating expenses	(786.2)	(728.9)	(653.8)	(736.6)	(622.1)
Operating profit	163.4	238.1	233.6	235.4	218.8
Profit before taxation	146.0	211.5	204.2	212.6	195.4
Net profit after tax	114.4	173.4	175.0	181.1	168.2
EBITDA	302.0	382.1	382.6	366.0	311.5
Diluted earnings per share (in USD)	1.59	2.40	2.39	2.46	2.31
Cash generated from operations	316.6	473.0	406.2	364.3	365.1
Current assets	438.5	478.6	446.3	552.6	577.2
Non-current assets	1,793.3	1,755.5	1,769.4	1,779.0	1,072.0
Total assets	2,231.8	2,234.1	2,215.7	2,331.7	1,649.2
Current liabilities (excluding deferred revenues)	508.4	501.2	247.2	396.1	314.7
Deferred revenues	411.1	371.6	324.1	287.4	262.5
Total current liabilities	919.5	872.8	571.3	683.5	577.2
Non-current liabilities (excluding deferred revenues)	746.6	860.4	1,088.3	1,203.1	773.2
Deferred revenues	12.7	26.1	32.7	—	—
Total non-current liabilities	759.3	886.5	1,121.0	1,203.1	773.2
Total liabilities	1,678.8	1,759.3	1,692.3	1,886.6	1,350.4
Total equity	553.0	474.8	523.4	445.1	298.8
Total equity and liabilities	2,231.8	2,234.1	2,215.7	2,331.7	1,649.2



Financial Statements

INFORMATION FOR INVESTORS

Capital structure

The registered share capital is divided into 74,947,402 shares with a par value of CHF 5.

Appropriation of profits

Temenos expects to pay a dividend of CHF 1.10 in 2023.

Register of shareholders

areg.ch ag
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Investor relations

Adam Snyder

Head of Investor Relations

Panagiotis “Takis” Spiliopoulos

Chief Financial Officer

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Annual General Meeting

3 May 2023

Statistics on Temenos shares

Registered shares of CHF 5 nominal 2022

Sector	Technology/ Software
Market Segment	SIX Main Market
Index Member	SMIM/SPI/SLI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of issued shares at 31.12.2022	74,935,760
Number of registered shares at 31.12.2022	74,742,268
Market price high/low (CHF)	127.30/50.00
Market Price 31.12.2021 (CHF)	126.05
Market Price 31.12.2022 (CHF)	50.74
Market Capitalization high/low (CHFbn)*	9.446/3.747
Share capital nominal value at 31.12.2022 (CHFm)*	374

* Based on the number of registered shares at the time.

Key figures per share	2022
Basic earnings per share (USD)	1.60
Diluted earnings per share (USD)	1.59
Non-IFRS earnings per share (USD)	2.82
Consolidated shareholders' equity (USDm)	553.0
Consolidated shareholders' equity per share (USD)	7.38

Major shareholders of Temenos AG*
(as of 22.03.2023)

Name	Number of voting rights	Percentage of the share capital
Martin and Rosmarie Ebner	7,695,000	10.27%
BlackRock Inc.	3,815,297	5.09%
Baillie Gifford & Co	3,485,355	4.65%
UBS Fund Management (Switzerland) AG	2,292,935	3.06%
Credit Suisse Funds AG	2,275,632	3.04%
Invesco Limited	2,272,215	3.03%

* On the basis of Temenos AG registered capital of 74,947,402 shares and based on the disclosure notifications received pursuant to Art. 120 ff. of the Financial Market Infrastructure Act (excluding Temenos treasury shares).

Please refer to page 152 for the status as of 31.12.2022.

Development of Temenos share price

Temenos share price and volume data





TEMENOS WORLD OFFICES

The following list is as of March 2023. For any updated information please visit our website: www.temenos.com/contact-us.

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Financial Statements

TEMENOS WORLD OFFICES continued

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continued

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**Financial Statements**

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Financial Statements

NOTES



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Produced by
designportfolio

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