

# Everyone's Banking Platform

**Annex 1** to the Invitation to the 23<sup>rd</sup> Annual General Meeting  
of Shareholders of TEMENOS AG (“the Company”)

**Information on Compensation agenda items (1.3, 4.1 and 4.2)**

**temenos**



## **LETTER OF THE CHAIR OF THE COMPENSATION COMMITTEE**

Dear Shareholders,

We request your support for the compensation proposals at the 2024 AGM. We have introduced for the first time the advisory vote on the Compensation Report 2023.

### **Compensation philosophy**

Temenos' approach to compensating its Executive team is centered on two key principles:

- Promoting a performance-driven corporate culture by adopting a balanced compensation framework, where the majority of compensation is tied to performance objectives. This primarily entails variable pay based on achieving performance goals; and
- Ensuring shareholder value creation by meeting stringent long-term performance targets.

Executive compensation consists of three primary components:

- I. Fixed cash compensation and benefits;
- II. Variable cash compensation linked to short-term performance objectives, aligned with the current financial year's goals; and
- III. Equity-based compensation of which 70% is variable and tied to achieving long-term performance metrics.

For the year 2025, compensation for the Board of Directors consists solely of fixed compensation.

### **Shareholder engagement**

Ongoing shareholder dialogue 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.

The Company moved to a continuous dialogue with shareholders throughout the year. Additionally, in early 2024, the Company invited its major shareholders, representing approximately 60% of outstanding shares, to a meeting with the Chair of the Compensation Committee with active follow-up thereafter. The Chair of the Compensation Committee engaged in multiple meetings with shareholders and proxy advisors. The major topics discussed were the current design of Temenos' incentive compensation programs, Temenos' peer group, performance metrics and goal setting for both STI and LTI plans, and the proposed increase of the retainer fee for the Board of Directors.

### **Proposals**

The compensation agenda items for which we request your approval are as follows:

- Consultative vote on Compensation Report 2023;
- Compensation for the Board of Directors for 2025: USD 2.4 million for eight members including Chair (2024: USD 2.3 million for up to nine members including Chair); and
- Compensation for the Executive Committee for 2025: USD 34 million for seven members (2024: USD 30 million for five members). The request assumes the current CEO will step down and be replaced by a new CEO during 2024.

We look forward to receiving your support at the AGM on 7 May 2024.

**Dr. Peter Spenser**

Chair of the Compensation Committee

## ANNEX 1 – INFORMATION ON COMPENSATION AGENDA ITEMS (1.3, 4.1 AND 4.2)

### 1 INTRODUCTION

This annex intends to explain the compensation agenda items 1.3, 4.1 and 4.2. The 2023 Compensation Report is available in the 2023 Annual Report. The 2023 Annual Report is available on: <https://www.temenos.com/en/about-temenos/investor-relations/reports>.

The compensation policy and principles are explained in the Compensation Report in section A. The compensation components are explained in the Compensation Report in section B.

### 2 BACKGROUND TO COMPENSATION REQUESTS

#### 2.1 Voting methodology selected

In accordance with articles 732 et seqq. of the Code of Obligations pertaining to remuneration in publicly listed companies and in alignment with Temenos' Articles of Association, the Board of Directors conducts separate votes on the compensation packages for the Board of Directors and the Executive Committee.

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

The proposed compensation amounts for both the Board of Directors and the Executive Committee pertain to the entirety of the calendar year 2025.

#### 2.2 Foreign exchange impacting the compensation

The largest part of the on-target compensation relates to the Long-Term Incentive ("LTI") grant. The Stock Appreciation Rights' ("SARs") price and associated accounting value for SARs, Performance Stock Units ("PSUs") and Restricted Stock Units ("RSUs") are quoted in US dollars ("USD").

Some Executives are paid fixed and short-term variable compensation in currencies other than USD. The exchange rates used for 2025 are the closing rates of 31 December 2023:

USD/CHF: 0.84177

USD/GBP: 0.78553

USD/AED: 3.6725

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

### 3 CONSULTATIVE VOTE ON THE 2023 COMPENSATION REPORT

**VOTE 1.3:** *The Board of Directors proposes that the 2023 Compensation Report be approved (available in the Annual Report).*

#### EXPLANATION

The Compensation Report provides information on the compensation system and the remuneration paid to the Board of Directors and the Executive Committee for the financial year 2023. The Board of Directors is submitting, in accordance with the Code of Obligations, the Compensation Report to shareholders for a separate consultative vote in addition to the binding approvals of compensation requests under agenda items 4.1 and 4.2. The purpose of the Compensation Report is to inform shareholders about the Board of Directors and Executive Committee compensation systems, policies, practices and any changes implemented during the relevant financial year, if applicable, as well as the compensation paid to the respective bodies in 2023 as approved by the shareholders at the 2022 Annual General Meeting. Our reporting of executive remuneration continues to offer a high level of transparency including full details of Short-Term Incentive ("STI") targets and achievements for the year 2023, achievements of 2021 LTI plan vesting in February 2024, and CAGR growth targets for 2024 LTI plan granted in February 2024.

#### 4 COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE YEAR 2025

**VOTE 4.1:** The Board of Directors proposes to approve a maximum aggregate amount of USD 2.4 million (corresponding to approximately CHF 2.1 million) as fixed compensation of the members of the Board of Directors for the financial year 2025.

##### EXPLANATION

The Board of Directors' proposal for 2025 compensation comprises the following persons:

the Non-Executive Chair, subject to re-election:

- Mr. Thibault de Tersant;

the Non-Executive Directors, subject to re-election:

- Dr. Peter Spenser;
- Mr. Maurizio Carli;
- Ms. Cecilia Hultén;
- Mr. Xavier Cauchois;
- Ms. Dorothee Deuring;

and the following proposed Non-Executive Directors, subject to election at the 2024 AGM:

- Ms. Laurie Readhead; and
- Dr. Michael Gorriz.

Acknowledging the importance of fair and competitive compensation practices, it is worth noting that the fees allocated to Non-Executive members of our Board of Directors currently fall below industry benchmarks for similar roles in Switzerland. The standard range for board retainer fees falls between USD 190,000 and USD 210,000. We propose an increase to USD 170,000 for this retainer fee, aligning it more closely with industry standards. All other fees will remain unchanged. The fees are summarized below:

Fee Type	2024 USD 000	2025 USD 000
Non-Executive Chair fee	800	800
Board member fee	140	170
Additional fee for Directors traveling long-haul	10	10
Fee for Chair of Audit Committee	55	55
Fee for Chair of Compensation Committee	45	45
Fee for Chair of Nomination & ESG Committee	35	35

Non-Executive Directors at Temenos do not receive any short-term variable pay, nor do they participate in any of the Company's LTI programs.

Since the Board of Directors consists of Non-Executive members only, the proposed compensation for members of the Board of Directors does not include any variable compensation. The request is made up as follows, with all figures in USD thousands:

USD 000	No. of members	Fee	Committee Chair fee	Additional fee for long-haul travel	Social charges	Rounding	Total
2024 approved	8.7	1,873	135	17	182	93	2,300
2025 request	8.0	1,990	135	20	192	63	2,400

**ANNEX 1 – INFORMATION ON COMPENSATION AGENDA ITEMS**

(1.3, 4.1 AND 4.2) continued

**5 COMPENSATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE FOR THE YEAR 2025**

**VOTE 4.2:** The Board of Directors proposes to approve a maximum aggregate amount of USD 34 million (corresponding to approximately CHF 29 million) as fixed and variable compensation of the members of the Executive Committee for the financial year 2025.

**EXPLANATION**

The Executive Committee proposal for 2025 comprises the following active members:

- Chief Executive Officer (“CEO”);
- Panagiotis “Takis” Spiliopoulos, Chief Financial Officer (“CFO”);
- Prema Varadhan, President Product and Chief Operating Officer (“PCOO”);
- Colin Jarrett, Chief Security and Risk Officer (“CSRO”);
- Jayde Tipper, Chief People Officer (“CPO”);
- William Moroney, President International (“PI”); and
- Philip Barnett, President Americas (“PA”).

The following table outlines the proposed total maximum compensation for members of the Executive Committee, amounting to USD 34 million. This allocation is distributed across various compensation elements. Notably, the total compensation encompasses the highest potential payout under the STI scheme, reaching up to 150%.

The compensation by category is shown below:

USD 000	No. of members <sup>1</sup>	Salary	Maximum STI <sup>2</sup>	Other <sup>3</sup>	LTI <sup>4</sup>	Social charges	Total	Approval/ Request	Average per member
2024 approved	6.04	2,807	4,631	2,543	15,768	2,950	28,699	30,000	4,750
2025 request	7.5	4,454	7,350	2,186	18,245	1,746	33,981	34,000	4,531

- (1) The number of members includes Executive Committee members during their notice period.
- (2) The variable short-term incentive for the Executive Committee members is explained further in section 6.1.
- (3) Other includes allowances and notice period for former Executive Committee members.
- (4) The LTI plan for the Executive Committee members is explained further in section 6.2. Balance sheet dilution at 31 December 2023 based on an average share price of USD 93 (closing share price on 31 December 2023) was 1.8% and based on an average share price of USD 127 (11% CAGR growth for three years) was 2.1%. Hence Temenos is well within the industry norms.

The request includes an increase in number of members from five to seven and includes a provision for termination of CEO on appointment of new CEO. Additionally, the request includes a 5% increase in compensation for the CEO and an average 3% for other members, aligning with industry standards and reflecting their valuable contribution to the Company’s growth and success. The supplemental allowance of 40% would be available in case of new roles being added and/or in case of need of replacement awards for new members.

## 6 KEY PERFORMANCE INDICATORS (“KPIs”) FOR VARIABLE PLANS

Outlined below are some highlights of the STI and LTI plans.

### 6.1 STI plan

For 2025, in light of the expectation that a new CEO will be onboarded in 2024, the short-term performance metrics for 2025 will be reviewed and disclosed in the 2024 Compensation Report. We expect the KPIs to continue to focus on ARR, Operating Profit and Operating Cash Flow.

The thresholds are expected to remain the same as 2024, that is, threshold payout of 50% occurs when performance is at 90% of goal and maximum payout of 150% occurs when performance is at 125% of goal. For every 1% of performance overachievement, 2% of incremental bonus is funded.

### 6.2 LTI plan

#### Instruments

The members of the Executive Committee are expected to be granted a mix of instruments as follows:

- 35% in SARs;
- 35% in PSUs; and
- 30% in RSUs.

As extensively discussed with shareholders in 2022, the incorporation of PSUs in fiscal year 2022 and RSUs in fiscal year 2023 enhances the alignment of our LTI program with the competitive market. This strategic adjustment aims to bolster retention efforts while maintaining accountability among our Executives for their performance.

In considering the potential appointment of a new CEO, any adjustment in the mix of instruments indicated above would be structured to prioritize performance-based incentives, aligning with our commitment to driving sustainable growth and aligning with shareholder value.

#### KPIs

The KPIs are expected to be as follows:

<b>KPIs for LTI 2025-2027</b>	<b>Weighting</b>
Total ARR	60%
Non-IFRS EPS	20%
Free Cash Flow	20%

**ANNEX 1 – INFORMATION ON COMPENSATION AGENDA ITEMS**

(1.3, 4.1 AND 4.2) continued

**6 KEY PERFORMANCE INDICATORS (“KPIs”) FOR VARIABLE PLANS** continued

**6.2 LTI plan** continued

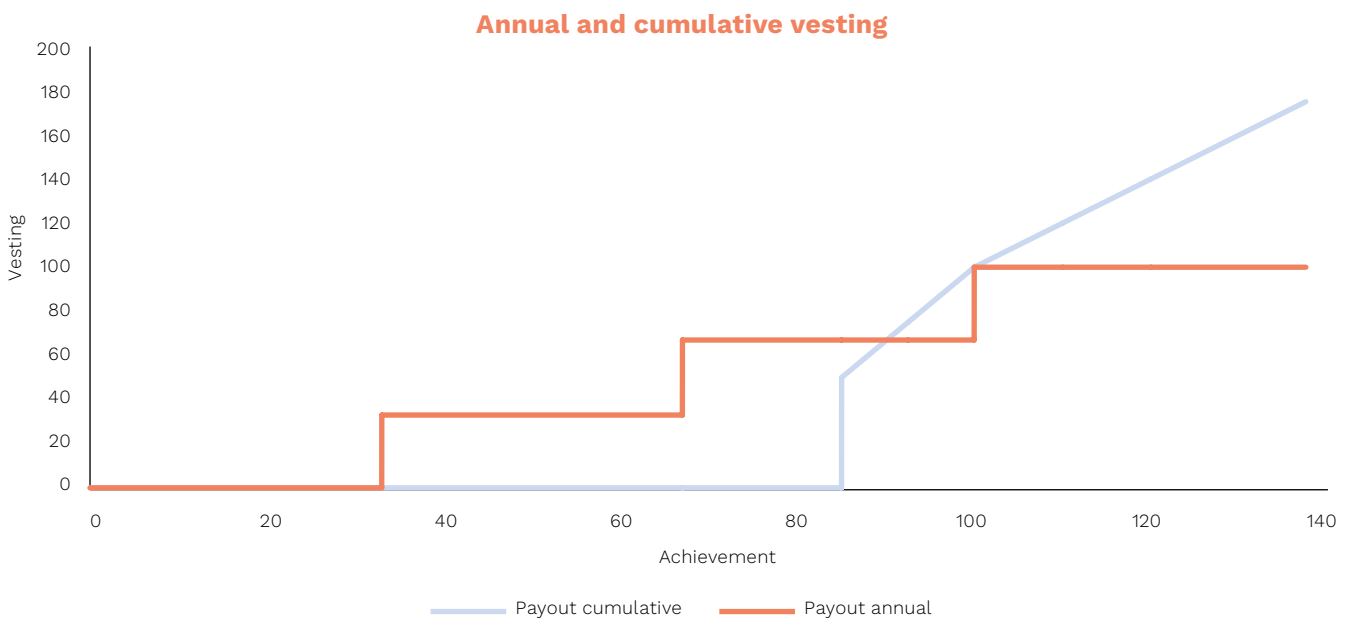
**Vesting curve**

The funding outcome for performance-based LTI instruments, i.e. the SARs and PSUs (“LTI Units”) corresponding to 70% of the total LTI instruments, is calculated as the greater of:

- i. the total number of LTI Units resulting from the achievement of each of the three annual targets covered by the three-year plan, where one third of the target number of LTI Units is attributed to each year. For this annual funding, the final number of LTI Units earned is binary at either 0% or 100%. Vesting is still subject to an overall three-year service period following grant; and
- ii. the total number of LTI Units resulting from the cumulative actual achievement of the respective KPIs of the three-year plan, as shown in the chart below.

Actual cumulative achievement as % of cumulative annual targets	85%	92.5%	100%	110%	120%	137.5%
Proportion of LTI Units vesting	50%	75%	100%	120%	140%	175%

Funding for the LTI Units is the greater of the results of the annual targets, shown in orange below, or the cumulative, shown in blue, below.



Temenos’ compensation philosophy has consistently centered around establishing challenging targets and rewarding management upon successful attainment of these ambitious goals.

With regard to the 30% of the LTI grant issued as RSUs, no performance targets are set. These RSUs are time-based, with 50% vesting on the second-year anniversary following the grant date, and the remaining 50% vesting on the third-year anniversary following the grant date.

**7 SHARE OWNERSHIP RULES**

The members of both the Board of Directors and the Executive Committee are bound by share ownership regulations. Comprehensive information regarding these regulations can be found in the 2023 Annual Report.









**Temenos Headquarters SA**  
Esplanade de Pont-Rouge 9C  
1212 Grand-Lancy  
Switzerland  
Tel: + 41 22 708 11 50  
**[www.temenos.com](http://www.temenos.com)**

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